OLC 74/50

CHANGES IN PER DIEM TRAVEL ALLOWANCES FOR GOVERNMENT EMPLOYEES

HEARING

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON GOVERNMENT OPERATIONS HOUSE OF REPRESENTATIVES

NINETY-THIRD CONGRESS

SECOND SESSION

ON

H.R. 15903 and Related Bills

TO REVISE CERTAIN PROVISIONS OF TITLE 5, UNITED STATES CODE, RELATING TO PER DIEM AND MILEAGE EXPENSES OF GOVERNMENT EMPLOYEES, AND FOR OTHER PURPOSES

JULY 16, 1974

Printed for the use of the Committee on Government Operations

U.S. GOVERNMENT PRINTING OFFICE

38-911 O WASHINGTON : 1974

COMMITTEE ON GOVERNMENT OPERATIONS

CHET HOLIFIELD, California, *Chairman*

JACK BROOKS, Texas
L. H. FOUNTAIN, North Carolina
ROBERT E. JONES, Alabama
JOHN E. MOSS, California
DANTE B. FASCELL, Florida
HENRY S. REUSS, Wisconsin
TORBERT H. MACDONALD, Massachusetts
WILLIAM S. MOORHEAD, Pennsylvania
WM. J. RANDALL, Missouri
BENJAMIN S. ROSENTHAL, New York
JIM WRIGHT, Texas
FERNAND J. ST GERMAIN, Rhode Island
JOHN C. CULVER, Iowa
FLOYD V. HICKS, Washington
DON FUQUA, Florida
JOHN CONYERS, Jr., Michigan
BILL ALEXANDER, Arkansas
BELLA S. ABZUG, New York
HAROLD D. DONOHUE, Massachusetts
JAMES V. STANTON, Ohio
LEO J. RYAN, California
CARDISS COLLINS, Illinois

FRANK HORTON, New York
JOHN N. ERLENBORN, Illinois
JOHN W. WYDLER, New York
CLARENCE J. BROWN, Ohio
GUY VANDER JAGT, Michigan
GILBERT GUDE, Maryland
PAUL N. McCLOSKEY, Jr., California
JOHN H. BUCHANAN, Jr., Alabama
SAM STEIGER, Arizona
GARRY BROWN, Michigan
CHARLES THONE, Nebraska
RICHARD W. MALLARY, Vermont
STANFORD E. PARRIS, Virginia
RALPH S. REGULA, Ohio
ANDREW J. HINSHAW, California
ALAN STEELMAN, Texas
JOEL PRITCHARD, Washington
ROBERT P. HANRAHAN, Illinois

HERBERT ROBACK, *Staff Director*
ELMER W. HENDERSON, *General Counsel*
MILES Q. ROMNEY, *Counsel-Administrator*
DOUGLAS G. DAHLIN, *Associate Counsel*
J. P. CARLSON, *Minority Counsel*
WARREN B. BUHLER, *Minority Professional Staff*

GOVERNMENT ACTIVITIES SUBCOMMITTEE

JACK BROOKS, Texas, *Chairman*

ROBERT E. JONES, Alabama
JOHN C. CULVER, Iowa
HAROLD D. DONOHUE, Massachusetts
JAMES V. STANTON, Ohio
CARDISS COLLINS, Illinois

JOHN H. BUCHANAN, Jr., Alabama
ROBERT P. HANRAHAN, Illinois
STANFORD E. PARRIS, Virginia
ANDREW J. HINSHAW, California

EX OFFICIO

CHET HOLIFIELD, California
FRANK HORTON, New York

WILLIAM M. JONES, *Staff Director*
WILLIAM H. COPENHAVER, *Counsel*
C. DON STEPHENS, *Research Analyst*
LYNNE HIGGINBOTHAM, *Clerk*
KATHRYN J. LOKOS, *Clerk*

CONTENTS

APPENDIX

Approved For Release 2001/09/07 : CIA-RDP76M00527R000700030004-7

CHANGES IN PER DIEM TRAVEL ALLOWANCES FOR GOVERNMENT EMPLOYEES

TUESDAY, JULY 16, 1974

HOUSE OF REPRESENTATIVES,
GOVERNMENT ACTIVITIES SUBCOMMITTEE
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C.

The subcommittee met, after considering other business, at 2:30 p.m., in room 2203, Rayburn House Office Building, Hon. Cardiss Collins presiding.

Present: Representatives Cardiss Collins, John H. Buchanan, Jr., Robert P. Hanrahan, Stanford E. Parris, and Andrew J. Hinshaw.

Also present: William M. Jones, staff director; William H. Copenhaver, counsel; Lynne Higginbotham, clerk; Kathryn Lokos, clerk; and James McInerney, minority professional staff, Committee on Government Operations.

Mrs. COLLINS. The next legislation we are taking up today has generated a lot of interest. The subcommittee has pending several proposals to increase the per diem and the mileage allowances for Government employees traveling on official business. These proposals vary considerably, but basically recommend that per diem be increased from the present $25 a day to $30, $35, or $40 a day, and that mileage be increased from the present 12 cents per mile to various figures between 14 and 20 cents a mile.

Present per diem and mileage allowances were established in 1969, and after 5 years of inflation, these are thought to be inadequate at the present time. Chairman Brooks introduced a bill (H.R. 15903) to establish a uniform rate of $35 per day with a provision up to $50 a day under unusual circumstances, and to direct GSA to set uniform mileage allowances up to a maximum of 18 cents per mile for automobiles, and 24 cents per mile for privately owned airplanes.

In addition, the legislation would clarify existing statutory provisions dealing with travel allowances so that all persons traveling on Government business are treated on a somewhat equal basis.

A number of witnesses have requested to present testimony on these proposals. I would hope we can hear from all of them. I will start with the GSA, the Government agency primarily responsible for the administration of the travel allowance provisions.

[The bills, H.R. 15903, H.R. 15154, H.R. 14000, and H.R. 10539, follow:]

93D CONGRESS
2D SESSION

H. R. 15903

IN THE HOUSE OF REPRESENTATIVES

JULY 15, 1974

Mr. BROOKS introduced the following bill; which was referred to the Committee on Government Operations

A BILL

To revise certain provisions of title 5, United States Code, relating to per diem and mileage expenses of Government employees, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Travel Expense Amendments Act of 1974".

SEC. 2. Section 5701 (2) of title 5, United States Code, is amended to read as follows:

(2) " 'Employee' means an individual employed in or under an agency or other individual performing services for the Government;"

SEC. 3. Section 5702 of title 5, United States Code, is amended to read as follows:

I

"§ 5702. Per diem; employees traveling on official business

"(a) An employee while traveling on official business away from his designated post of duty is entitled to a per diem allowance for travel inside the continental United States at a rate not to exceed $35. For travel outside the continental United States, the per diem allowance shall be established by the Administrator of General Services, or his designee, for each locality where travel is to be performed. For travel consuming less than a full day, such rates may be allocated proportionately pursuant to regulations prescribed under section 5707 of this title.

"(b) An employee who, while traveling on official business away from his designated post of duty, becomes incapacitated by illness or injury not due to his own misconduct, is entitled to the per diem allowance until such time as he can again travel and to appropriate transportation expenses, including return to his designated post of duty.

"(c) Under regulations prescribed under section 5707 of this title, the Administrator of the General Services Administration may prescribe conditions under which an employee may be reimbursed for the actual and necessary expenses for travel inside the continental United States, not to exceed $50 for each day of travel, due to unusual circumstances of the travel assignment, including travel to an

unusually high cost locality or geographic area designated in such regulations.

"(d) This section does not apply to a Justice or judge, except to the extent provided by section 456 of title 28.".

SEC. 4. Section 5703 of title 5, United States Code, is hereby repealed.

SEC. 5. Section 5704 of title 5, United States Code, is hereby amended to read as follows:

"§ 5704. Mileage and related allowances

"(a) Under regulations prescribed under section 5707 of this title, an employee who is engaged on official business for the Government is entitled to not in excess of—

"(1) 9 cents a mile for the use of a privately owned motorcycle; or

"(2) 18 cents a mile for the use of a privately owned automobile; or

"(3) 24 cents a mile for the use of a privately owned airplane;

instead of actual expenses of transportation when that mode of transportation is authorized or approved as more advantageous to the Government.

"(b) In addition to the mileage allowance authorized under subsection (a) of this section, the employee may be reimbursed for—

"(1) parking fees;

"(2) ferry fees;

"(3) bridge, road, and tunnel costs; and

"(4) airplane landing and tie-down fees.".

SEC. 6. Section 5707 of title 5, United States Code, is hereby amended to read as follows:

"§ 5707. Regulations and reports

"(a) The Administrator of General Services shall prescribe regulations necessary for the administration of this subchapter.

"(b) The Administrator of General Services, in consultation with the Comptroller General of the United States, the Secretary of Transportation, the Secretary of Defense, and representatives of organizations of employees of the Government, shall conduct periodic studies of the cost of travel and the operation of privately owned vehicles to employees while engaged on official business, and shall report the results of such studies to Congress at least once a year.".

SEC. 7. The seventh paragraph under the heading "Administrative Provisions" in the Senate appropriation in the Legislative Branch Appropriation Act, 1957 (2 U.S.C. 68b), is amended by striking out "$25" and "$40" and inserting in lieu thereof "$35" and "$50", respectively.

SEC. 8. Item 5707 contained in the analysis of subchapter 1 of chapter 57 of title 5 is amended to read as follows:

"5707. Regulations and reports.".

93D CONGRESS
2D SESSION

H. R. 15154

IN THE HOUSE OF REPRESENTATIVES

JUNE 3, 1974

Mr. WHITEHURST (for himself, Mr. DAVIS of South Carolina, Mr. GUDE, and Mr. PARRIS) introduced the following bill; which was referred to the Committee on Government Operations

A BILL

To amend title 5, section 5704 (a) (2), United States Code.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title 5, section 5704 (a) (2) be amended as follows: Strike out the number "12" and insert in lieu thereof the number "17".

I

93D CONGRESS
2D SESSION

H. R. 14000

IN THE HOUSE OF REPRESENTATIVES

APRIL 4, 1974

Mr. WALDIE introduced the following bill; which was referred to the Committee on Government Operations

A BILL

To revise certain provisions of title 5, United States Code, relating to per diem and mileage expenses of employees and other individuals traveling on official business, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 5702 (a) of title 5, United States Code, relating to the per diem allowance of employees traveling on official business within the continental United States, is amended by deleting "$25" and inserting in place thereof "$35".

(b) Section 5702 (c) (1) of title 5, United States Code, relating to reimbursement for actual and necessary travel

I

expenses of employees under unusual circumstances in excess of the maximum per diem allowance, is amended by deleting "$40" and inserting in place thereof "$50".

(c) Section 5703 (c) (1) of title 5, United States Code, relating to the per diem allowance of individuals serving without pay or at $1 a year for travel inside the continental United States, is amended by deleting "$25" and inserting "$35" in place thereof.

(d) Section 5703 (d) (1) of title 5, United States Code, relating to reimbursement for actual and necessary travel expenses of individuals serving without pay or at $1 a year under unusual circumstances in excess of the maximum per diem allowance, is amended by deleting "$40" and inserting in place thereof "$50".

(e) Section 5704 of title 5, United States Code, relating to mileage and related allowances of employees and other individuals performing services on official business inside or outside the designated post of duty or place of service, is amended to read as follows:

"§ 5704. Mileage and related allowances

"(a) For the purposes of prescribing and administering the regulations authorized by section 5707 of this title, the Comptroller General of the United States shall conduct, beginning on July 1 of each fiscal year, a cost study to determine the actual cost a mile to an employee or other individ-

ual performing service for the Government, who is engaged on official business inside or outside the designated post of duty or place of service, for the use of a privately owned motorcycle, automobile, or airplane and submit to the President or his designee, not later than the beginning of the third month after such date, the results of such study. The President or his designee shall include the specific results of the study of the Comptroller General in regulations governing the authorized payment of the actual costs described above. The Comptroller General shall continue his study of the appropriate and current accurate determination of such costs and shall transmit his then current determinations at the beginning of the third month after the presentation of the results of each prior study. The President or his designee shall revise, maintain, and administer, on a current basis, the regulations prescribed under section 5707 of this title governing the reimbursement of such costs to the employee or individual concerned.

"(b) An employee or individual described in subsection (a) of this section shall not use a privately owned motorcycle, automobile, or airplane under the circumstances described in subsection (a) of this section unless specifically authorized in writing to do so in the travel authorization. Such written authorization for the use of a privately owned motorcycle, automobile, or airplane shall be made only in the

interests of the efficient and effective conduct of official business of the Government and only if the use of public transportation by the employee or individual concerned would be a personal hardship or against the public interest.".

93D CONGRESS
1ST SESSION

H. R. 10539

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 26, 1973

Mr. BROYHILL of Virginia introduced the following bill; which was referred to the Committee on Government Operations

A BILL

To increase the maximum per diem allowance for employees of the Government traveling on official business, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subchapter I of chapter 57 of title 5, United States Code, is amended—

(1) in section 5702(a), by striking out "$25" and inserting in lieu thereof "$35";

(2) in section 5702(c), by striking out "$40" and "$18" and inserting in lieu thereof "$55" and "$33", respectively;

I

(3) in section 5703 (c), by striking out "$25" and inserting in lieu thereof "$35"; and

(4) in section 5703 (d), by striking out "$40" and "$18" and inserting in lieu thereof "$55" and "$33", respectively.

SEC. 2. The seventh paragraph under the heading "ADMINISTRATIVE PROVISIONS" in the Senate section of the Legislative Branch Appropriation Act, 1957 (2 U.S.C. 68b), is amended by striking out "$25" and "$40" and inserting in lieu thereof "$35" and "$55", respectively.

Mrs. COLLINS. Mr. Ronald Zechman, Acting Associate Administrator, is here to present GSA's statement.

Mr. Zechman, you may proceed.

STATEMENT OF RONALD ZECHMAN, ACTING ASSOCIATE ADMINISTRATOR, GENERAL SERVICES ADMINISTRATION; ACCOMPANIED BY ROBERT CHANDLER, DIRECTOR OF THE PASSENGER TRANSPORTATION BRANCH, FEDERAL SUPPLY SERVICE; AND EDWARD DUIGNAN, ASSISTANT GENERAL COUNSEL

Mr. ZECHMAN. Madam Chairperson, I have with me to my left Mr. Robert Chandler, Director of the Passenger Transportation of the Federal Supply System; and on my left, Mr. Edward Duignan, Assistant General Counsel of the GSA.

I appreciate the opportunity to appear before this subcommittee today on behalf of Arthur F. Sampson, Administrator, GSA, to discuss our draft bill covering per diem and mileage expenses, which was referred to the House Government Operations Committee on June 6, 1974.

We strongly feel that present per diem and mileage allowances are inadequate for most Federal travelers and therefore propose that legislation be enacted to increase them. A copy of our draft bill to this end is attached, for the record.

[The draft bill follows:]

GENERAL SERVICES ADMINISTRATION,
Washington, D.C., June 5, 1974.

Hon. CARL ALBERT,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: There is transmitted herewith for referral to the appropriate Committee a draft bill, "To increase the maximum per diem allowance and the maximum statutory mileage allowance for the use of a privately owned automobile or airplane for employees of the Federal Government while traveling on official business, and for other purposes."

Executive Order 11609 of July 22, 1971, vested in the Administrator of General Services the authority of the President to prescribe regulations under 5 U.S.C. 5707 without approval, ratification, or other action by the President. The current Federal Travel Regulations, promulgated by the General Services Administration, are those which became effective on May 1, 1973 (41 CFR 101-7).

Under present law (5 U.S.C. 5702), an employee traveling on official business away from his designated post of duty is entitled to a per diem allowance prescribed by the agency concerned, subject to a maximum of $25 for travel inside the continental United States. Under regulations prescribed under 5 U.S.C. 5707, an agency head may prescribe conditions under which an employee may be reimbursed for the actual and necessary expenses of travel, not to exceed an amount named in the travel authorization, when the maximum per diem allowance would be less than the actual and necessary expenses due to "the unusual circumstances of the travel assignment." In such cases, the amount named in the travel authorization may not exceed $40 for each day in travel status inside the continental United States, or the maximum per diem allowance established for the locality where the travel is performed, plus $18 for each day in a travel status outside the continental United States. The maximum figures of $25, $40, and $18 have been in effect since November 19, 1969, when they were increased to those levels by Public Law 91-114 from the previous figures of $16, $30, and $10.

In view of rising costs associated with travel, especially in major metropolitan areas, the General Services Administration initiated a study to determine the adequacy of present travel allowances for Federal employees. The study involved approximately 13,000 actual employee travel experiences representing 63,000 man-days of travel taken over a period of three months in 1973, and included 22 agencies of the executive branch. This reflects seven-tenths of one percent

38-911 O - 74 - 3

of the total number of man-days of travel. Results show that the present $25 per diem rate was inadequate for over 50 percent of the reported travel. This was due, primarily, to the increased average costs of approximately 24 percent in food and lodging expenses since 1969, the year of the last per diem increase. The Consumer Price Index level reflects this fact. The study also disclosed that actual subsistence expense allowances of up to $40 per day were authorized in only three percent of the travel reported.

We, therefore, propose in our draft bill that the maximum statutory per diem allowance be increased from $25 to $30; the maximum statutory actual subsistence expenses in the continental United States be increased from $40 to $50 per day; and the permissible amount in addition to the maximum per diem allowance established for the locality for travel outside the continental United States be increased from $18 to $23 per day. Section 2 of our draft bill would provide the same changes in the $25 and $40 limitations imposed upon the Senate by the Legislative Branch Appropriation Act, 1957, as amended. In spite of these increases, the allowances will not be sufficient to take care of those employees traveling to major cities such as New York and San Francisco. Based on published commercial lodging and meal expenses, it would require an average of $45 per day for adequate lodgings with three average meals, including tips and taxes. For that reason, it is proposed in our draft bill to permit the reimbursement of actual and necessary expenses of a trip when they are much more than the maximum per diem allowance, due to a travel assignment to such major cities and metropolitan areas. Under present law this reimbursement is permitted only when the higher expenses are due to "unusual circumstances."

Based on a $30 statutory per diem rate, it is anticipated that there would be approximately 10 major city areas at the present time where travel expenses would exceed the maximum per diem rate by 10 percent or more and would therefore be designated as a "major city locality." A maximum rate would be stated in the governing regulations for each major city area so designated, but in no case will the rate established exceed the $50 statutory maximum actual expenses allowance. It is further anticipated that the maximum locality rates would be reviewed at least annually and adjusted as appropriate, within the proposed ceiling of $50 per day. These major city locality rates would be prescribed as maximums only, and when actual subsistence expenses incurred in any one day are less than the maximum authorized, the traveler will, of course, be reimbursed only for the lesser amount.

We believe this major city locality rate method to be a means of meeting the demonstrated needs of Federal employees who must travel on official business, which is preferable to increasing the maximum per diem rate to a level sufficient to meet these particular circumstances of travel. It will relieve the situations which are now causing most of the hardships experienced by Federal employee travelers, while the proposed increase in the maximum per diem rate will adequately cover the remainder.

Under our proposed draft bill, the maximum yearly cost impact based on a per diem increase to $30 would be approximately $24 million over the present rate ($25), plus an additional increase of approximately $10 million based on the establishment of the major city locality rate method.

This bill also proposes to amend 5 U.S.C. 5704(a)(2), to increase the maximum allowance for the use of a privately owned automobile from 12 cents to 18 cents a mile, and for the use of a privately owned airplane from 12 cents to 24 cents a mile, and to amend 5 U.S.C. 5704(b) to provide, in addition to the mileage allowance prescribed under 5 U.S.C. 5704(a)(2), that employees who use a privately owned airplane for official business may be reimbursed for landing and tiedown fees.

The maximum figures of 12 cents for a privately owned automobile and airplane have been in effect since August 14, 1961, when they were increased to those levels by Public Law 87-139 from the previous figure of 10 cents.

A recent study by GSA of automobile operating costs indicates that the cost of operating a privately owned automobile as of April 1974 was 14.4 cents a mile.

Another study which we recently completed relates to costs associated with operating a privately owned airplane. As determined in this study, the cost of operating a privately owned, single engine, piston airplane, as of December 1973, was approximately 20.6 cents per mile, exclusive of landing and tiedown fees.

Although our studies indicated operating costs of 14.4 cents per mile for privately owned automobiles and 20.6 cents per mile for privately owned airplanes, we recommend that the statutory rates be set at 18 and 24 cents per mile, respectively. This would allow us latitude in prescribing reimbursement rates within the

statutory maximums that will equate to the current costs of operating these conveyances.

Additionally, we recommend that 5 U.S.C. 5704(b) be amended to permit reimbursement for landing and tiedown fees in addition to the mileage allowance prescribed for privately owned airplanes. Although similar costs such as parking fees, ferry fares, and highway tolls may be separately allowed under 5 U.S.C. 5704(b) for the use of a privately owned automobile, there is no statutory authority for separately allowing the expenses of landing or tiedown services when a privately owned aircraft is authorized for use on official business. A change in the law to allow separate reimbursement for these costs will insure a closer relationship between expenses incurred and the amount of reimbursement and will standardize the allowances as they relate to both automobiles and airplanes.

The estimated annual costs impact for each 1 cent per mile increase for privately owned vehicles is $3.8 million and for privately owned airplanes is $11,000. If the rates for reimbursement are set at 15 and 21 cents, the estimated annual total cost impact would be $11.5 million more than today's inadequate allowance.

The draft bill will provide more equitable treatment for Federal employee travelers and alleviate the inadequacies of present travel allowances. We urge its prompt enactment.

The Office of Management and Budget has advised that there is no objection to the submission of this draft bill to the Congress and that its enactment would be consistent with the Administration's objectives.

Sincerely,

DWIGHT A. INK,
Deputy Administrator.

Enclosure.

A BILL To revise certain provisions of title 5, United States Code, relating to per diem and mileage expenses of employees and other individuals traveling on official business, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subchapter I of chapter 57 of title 5 United States Code, is amended as follows:

(1) In Section 5701, by striking out "and" at the end of paragraph (5), by striking out the period at the end of paragraph (6) and inserting in lieu thereof "; and", and by adding the following:

"(7) 'major city locality' means a city or metropolitan area designated as such by regulation prescribed under section 5707 of this title."

(2) In section 5702(a), by striking out "$25" and inserting in lieu thereof "$30";

(3) By changing the language of section 5702(c) to read as follows:

"(c) Under regulations prescribed under section 5707 of this title, the head of the agency concerned may prescribe conditions under which an employee may be reimbursed for the actual and necessary expenses of the trip, not to exceed an amount named in the travel authorization, when the maximum per diem allowance would be much less than these expenses due to—

"(1) the unusual circumstances of the travel assignment, in which case the amount named in this travel authorization may not exceed—

"(*a*) $50 for each day in a travel status inside the continental United States; or

"(*b*) the maximum per diem allowance plus $23 for each day in a travel status outside the continental United States; or

"(2) a travel assignment to a city or metropolitan area designated by regulations prescribed under section 5707 of this title as a 'major city locality', in which case the amount named in the travel authorization may not exceed the amount stated in the regulation so designating the locality. In no case may the amount stated in the regulation exceed $50 per day."

(4) In section 5703(c), by striking out "$25" and inserting in lieu thereof "$30".

(5) In section 5703(d), by striking out "$40" and "$18" and inserting in lieu thereof "$50" and "$23", respectively.

(6) In section 5704(a) by:

(*a*) striking out "12 cents" and inserting in lieu thereof "18 cents" at the beginning of paragraph (2);

(*b*) striking out the words "or airplane" at the end of paragraph (2) and inserting after the semicolon the word "or"; and

(*c*) adding at the end thereof a new paragraph as follows:

"(3) 24 cents a mile for the use of a privately owned airplane;"

(7) In Section 5704(b) by:

(*a*) striking out the word "and" after semicolon at the end of paragraph (2);

(*b*) striking out the period at the end of paragraph (3) and inserting in lieu thereof "; and"; and

(*c*) adding at the end thereof a new paragraph as follows:

"(4) landing and tiedown fees."

SEC. 2. The seventh paragraph under the heading "Administrative Provisions" in the Senate section of the Legislative Branch Appropriation Act, 1957 (70 Stat. 360, as amended, 2 U.S.C. 68b), is amended by striking out "$25" and "$40" and inserting in lieu thereof "$30" and "$50", respectively.

Mr. ZECHMAN. Specifically, our draft bill proposes the following: Raise per diem maximum from $25 to $30; raise actual subsistence maximum within the United States from $40 to $50; raise the maximum actual subsistence allowance for travel outside of the continental United States from $18 to $23; set special locality rates for major cities where the maximum per diem rate would be inadequate to meet the average cost of lodgings and meals; set statutory maximums of 18 cents per mile for automobiles and 24 cents per mile for airplanes. Landing and tiedown fees are also provided for in our draft bill.

A unique feature of our bill is the establishment of a "major city locality" rate. Based on a $30 statutory per diem rate, it is anticipated that there would be approximately 10 major city areas at the present time where travel expenses would exceed the maximum per diem rate by 10 percent or more, and would therefore be designated by regulation as a "major city locality."

A maximum rate would be stated in the governing regulations for each major city area so designated. The major city locality rates would be prescribed as maximums only; and when actual subsistence expenses incurred in any 1 day are less than the maximum authorized, the traveler will, of course, be reimbursed only for the lesser amount.

It is our opinion that the major city locality rate is a method of meeting the demonstrated needs of Federal employees who must travel on official business to higher cost areas, which is preferable to increasing the maximum per diem rate to a level sufficient to meet these particular circumstances of travel. It will relieve the situations which are now causing most of the hardships experienced by Federal employee travelers, while the proposed increase in the maximum per diem rate to $30 will adequately cover the remainder.

We support the intent of the chairman's bill, H.R. 15903. We would like to have the opportunity to review the details and some of the terminology, and work with the members of the committee staff prior to the markup of the bill.

This concludes my summary statement, Madam Chairperson. Further details are provided in the complete statement which I have provided for the record. I would be happy to respond to any questions that you or other members of the subcommittee might have.

[Mr. Zechman's prepared statement follows:]

PREPARED STATEMENT OF RONALD E. ZECHMAN, ACTING ASSOCIATE ADMINISTRATOR, GENERAL SERVICES ADMINISTRATION

Mr. Chairman and members of the subcommittee, I appreciate the opportunity to appear before this subcommittee today on behalf of Arthur F. Sampson, Administrator, GSA, to discuss our draft bill covering per diem and mileage expenses, which was referred to the House Government Operations Committee on June 6, 1974.

We strongly feel that present per diem and mileage allowances are inadequate for most Federal travelers and therefore propose that legislation be enacted to increase them. A copy of our draft bill to this end is attached, for the record.

Specifically, our draft bill proposes the following:

Raise per diem maximum from $25 to $30.

Raise actual subsistence maximum from $40 to $50.

Raise per diem maximum for travel outside of the continental United States from $18 to $23.

Set special locality rates for major cities where the maximum per diem rate would be inadequate to meet the average cost of lodgings and meals.

Set statutory maximums of $.18 per mile for automobiles and $.24 per mile for airplanes. Landing and tiedown fees are also provided for in our draft bill.

Executive Order 11609 of July 22, 1971, vested in the Administrator of General Services the authority of the President to prescribe regulations under 5 U.S.C. 5707. The current Federal Travel Regulations, promulgated by the General Services Administration, are those which became effective on May 1, 1973 (41 CFR 101–7).

In view of rising costs associated with travel, especially in major metropolitan areas, the General Services Administration initiated a study to determine the adequacy of present travel allowances for Federal employees. The study involved approximately 13,000 actual employee travel experiences representing 63,000 man-days of travel taken over a period of three months in 1973, and included 22 agencies of the executive branch. This reflects seven-tenths of one percent of the total number of man-days of travel. Results show that the present $25 per diem was inadequate for over 50 percent of the reported travel. This was due, primarily, to the increased average costs of approximately 24 percent in food and lodging expenses since 1969, the year of the last per diem increase. The Consumer Price Index level further reflects this fact. The study also disclosed that actual subsistence expense allowances of up to $40 per day were authorized in only three percent of the travel reported.

We, therefore, propose in our draft bill that the maximum statutory per diem allowance be increased from $25 to $30; the maximum statutory actual subsistence expenses in the continental United States be increased from $40 to $50 per day; and the permissible amount in addition to the maximum per diem allowance established for the locality for travel outside the continental United States be increased from $18 to $23 per day. Section 2 of our draft bill would provide the same changes in the $25 and $40 limitations imposed upon the Senate by the Legislative Branch Appropriation Act, 1957, as amended.

Although these increases will be adequate to cover the expenses of most travel, the allowances will not be sufficient to take care of those employees traveling to major cities such as New York and San Francisco. Based on published commercial lodging and meal expenses, such localities require as much as $45 per day for adequate lodgings with three average meals, including tips and taxes. For that reason, it is proposed in our draft bill to permit the reimbursement of actual and necessary expenses of a trip when they are much more than the maximum per diem allowance, due to a travel assignment to such a major city. Under present law, reimbursement of this type is permitted only when the higher expenses are due to "unusual circumstances."

Based on a $30 statutory per diem rate, it is anticipated that there would be approximately 10 major city areas at the present time where travel expenses would exceed the maximum per diem rate by 10 percent or more and would therefore be designated by regulations as a "major city locality." A maximum rate would be stated in the governing regulations for each major city area so designated, but in no case would the rate established exceed the $50 statutory maximum for actual expenses allowance. It is further anticipated that the major city locality rates would be reviewed at least annually and adjusted, as appropriate, within the proposed ceiling of $50 per day. The major city locality rates would be prescribed as maximums only; and, when actual subsistence expenses incurred in any one day are less than the maximum authorized, the traveler will, of course, be reimbursed only for the lesser amount.

It is our opinion that the major city locality rate is a method of meeting the demonstrated needs of Federal employees who must travel on official business to higher cost areas, which is preferable to increasing the maximum per diem rate to a level sufficient to meet these particular circumstances of travel. It will relieve the situations which are now causing most of the hardships experienced by Federal employee travelers, while the proposed increase in the maximum per diem rate to $30 will adequately cover the remainder.

We estimate that under our draft bill, the maximum yearly cost impact based on a per diem increase to $30 would be approximately $24 million over the present rate ($25), plus an additional increase of approximately $10 million based on the establishment of the major city locality rate method. We believe that the major city locality rate method will provide more flexibility in setting equitable rates and result in lower overall costs to the Government than would result if a higher across-the-board per diem rate was established reflecting the higher costs in major cities. A per diem rate equitable for major cities would be too high for most of the travel performed. Indeed, our study indicates that an increase even to $35 in the flat per diem rate would not be warranted for travel performed to other than major city localities. We estimate that an across-the-board increase to $35 would have a maximum cost impact of approximately $47 million over the present $25 rate. Thus, calculations based on our sample indicate that our draft bill would result in a lower cost of up to $13 million for travel of some 9.4 million man-days per year than would an across-the-board increase of $35. While these figures are based on payment of maximum per diem for all travel, which would not be the actual case, it does serve to support our opinion that the proposed draft bill would satisfy the traveler's needs, yet result in lower costs to the Government.

A recent study by GSA of automobile operating costs indicates that the average cost of operating a privately owned automobile as of April 1974 was 14.4 cents a mile.

Another study which we recently completed relates to costs associated with operating a privately owned airplane. As determined in this study, the average cost of operating a privately owned, single-engine, piston airplane, as of December 1973, was approximately 20.6 cents per mile, exclusive of landing and tiedown fees.

Although our studies indicated operating costs of 14.4 cents per mile for privately owned automobiles and 20.6 cents per mile for privately owned airplanes, we recommend that the statutory maximum rates be set at 18 and 24 cents per mile, respectively. This would allow us latitude in prescribing reimbursement rates within the statutory maximums that will equate to the current costs of operating these conveyances.

Additionally, we recommend that 5 U.S.C. 5704(b) be amended to permit reimbursement for landing and tiedown fees in addition to the mileage allowance prescribed for privately owned airplanes. Although similar costs such as parking fees, ferry fares, and highway tolls may be separately allowed under 5 U.S.C. 5704(b) for the use of a privately owned automobile, there is no statutory authority for separately allowing the expenses of landing or tiedown services when a privately owned aircraft is authorized for use on official business. A change in the law to allow separate reimbursment for these costs will standardize the allowances as they relate to both automobiles and airplanes.

The estimated annual cost impact for each one cent per mile increase for privately owned vehicles is $3.8 million and for privately owned airplanes is $11,000. If the rates for reimbursement are set at 15 and 21 cents, the estimated annual total cost impact would be $11.5 million more than today's inadequate allowance.

The Office of Management and Budget advises us that these increases in travel costs will be largely absorbed by the individual agencies within their available appropriations.

This concludes my prepared statement, Mr. Chairman. I will be happy to respond to any questions you may have.

Mrs. Collins. Thank you, Mr. Zechman. You just mentioned that you would be interested in working with the committee staff before the markup of the bill. You do support the basic concept?

Mr. Zechman. We do.

Mrs. Collins. Fine.

Mr. Zechman. We support the basic concept. In scanning the bill, we have some questions as to some of the terminology, but these are things which could be resolved.

Mrs. Collins. Has GSA made a recent study of the cost of lodging and meals in various areas around the country where Government employees might be traveling?

Mr. ZECHMAN. Yes, the study was initiated in the spring of 1973, and completed in the fall of the year. A sampling technique was used and covered just under 1 percent of the total Government travel. The results of that study indicated that approximately 50 percent of the Federal employees' travel expenses exceeded the $25 a day rate.

Mrs. COLLINS. That 1 percent would be roughly a study of 13,000 employees or so?

Mr. ZECHMAN. There were 63,000 man-days of travel and 13,000 trips representing 22 agencies, and it was taken over a 90-day period in 1973.

Mrs. COLLINS. Allowances for over $25 were authorized in only about 3 percent of the cases, is that correct?

Mr. ZECHMAN. Yes, for expenses due to unusual circumstances of a travel assignment.

Mrs. COLLINS. Food and lodging expenses have increased approximately 24 percent since 1969?

Mr. ZECHMAN. Yes.

Mrs. COLLINS. Would it be beneficial to the Government to establish more uniformity in the administration of per diem allowances?

Mr. ZECHMAN. We definitely should have it.

Mrs. COLLINS. Do you feel it is desirable to have a provision which allows for the proration of per diem allowances if traveling consumes less than a full day?

Mr. ZECHMAN. Yes.

Mrs. COLLINS. In other words, for meals and lodging?

Mr. ZECHMAN. Yes, but by regulation.

Mrs. COLLINS. Both Chairman Brooks' bill and the GSA proposal provide for the possibility of establishing higher rates in certain areas. Would you explain how you would determine which areas should enjoy that privilege and how you would determine the amount that would be paid for travel in those areas?

Mr. ZECHMAN. Yes. Our study indicated there were several ways that we could do this. The one that we used is the Runzheimer Meal Lodging Cost Index. This is a management consulting firm out of Rochester, Wis. It is used very heavily by the private sector. They cover, I think, 100 cities, and they update 25 percent of the cities on a quarterly basis. So once a year, all the cities are updated. And using this as our basis, we found that there are 10 cities in the United States that would exceed a $30 maximum per diem rate. In fact the latest revision brings New York City very close to $50.

We could also use the Bureau of Labor Statistics. This is available and is being used by industry.

Mrs. COLLINS. I have a list of cost of lodging and three meals at 100 cities in the United States, which you already mentioned, and which I would like to put into the record at this time.

[The material follows:]

MOST RECENT PER DIEM COSTS OF LODGING AND MEALS

Over One Million Population Type Cities

1.	Atlanta, Georgia	$28.60
2.	Baltimore, Maryland	29.35
3.	Boston, Massachusetts	36.45
4.	Buffalo, New York	26.90
5.	Chicago, Illinois	36.50
6.	Cincinnati, Ohio	28.30
7.	Cleveland, Ohio	30.05
8.	Dallas, Texas	30.55
9.	Denver, Colorado	28.05
10.	Detroit, Michigan	31.20
11.	Houston, Texas	30.05
12.	Kansas City, Missouri	27.55
13.	Los Angeles, California	33.90
14.	Miami, Florida	32.70
15.	Milwaukee, Wisconsin	25.60
16.	Minneapolis, Minnesota	32.80
17.	Newark, New Jersey	33.00
18.	New York, New York	48.50
19.	Philadelphia, Pennsylvania	33.40
20.	Pittsburgh, Pennsylvania	28.55
21.	St. Louis, Missouri	29.45
22.	San Diego, California	29.30
23.	San Francisco, California	37.70
24.	Seattle, Washington	29.85
25.	Washington, D. C.	40.05

From 500,000 to One Million Type Cities

1.	Akron, Ohio	$25.25
2.	Albany, New York	28.50
3.	Birmingham, Alabama	23.30
4.	Bridgeport, Connecticut	31.75
5.	Columbus, Ohio	26.50
6.	Dayton, Ohio	24.10
7.	Hartford, Connecticut	28.75
8.	Honolulu, Hawaii	34.25
9.	Indianapolis, Indiana	26.65
10.	Jacksonville, Florida	22.90
11.	Louisville, Kentucky	27.25
12.	Memphis, Tennessee	29.20
13.	New Haven, Connecticut	28.20
14.	New Orleans, Louisiana	32.90
15.	Norfolk, Virginia	25.50
16.	Oklahoma City, Oklahoma	25.20
17.	Omaha, Nebraska	24.90
18.	Phoenix, Arizona	27.30
19.	Portland, Oregon	25.35
20.	Providence, Rhode Island	26.45
21.	Richmond, Virginia	24.90
22.	Rochester, New York	27.25
23.	Sacramento, California	24.80
24.	San Antonio, Texas	24.40
25.	San Jose, California	26.70
26.	Springfield, Massachusetts	26.65

500,000 to 1 Million Population (continued)

27.	Syracuse, New York	$26.75
28.	Tampa, Florida	26.55
29.	Worcester, Massachusetts	27.15

From 100,000 to 500,000 Type Cities

1.	Albuquerque, New Mexico	23.50
2.	Amarillo, Texas	20.15
3.	Asheville, North Carolina	30.35
4.	Atlantic City, New Jersey	35.50
5.	Austin, Texas	23.90
6.	Baton Rouge, Louisiana	22.05
7.	Charleston, South Carolina	22.00
8.	Charlotte, North Carolina	22.55
9.	Des Moines, Iowa	24.40
10.	El Paso, Texas	22.45
11.	Fort Wayne, Indiana	23.30
12.	Fresno, California	26.75
13.	Harrisburg, Pennsylvania	25.55
14.	Huntsville, Alabama	23.55
15.	Jackson, Mississippi	26.50
16.	Kalamazoo, Michigan	25.15
17.	Las Vegas, Nevada	32.25
18.	Lexington, Kentucky	24.60
19.	Little Rock, Arkansas	23.25
20.	Madison, Wisconsin	27.45
21.	Nashville, Tennessee	23.15

0,000 to 500,000 Population (continued)

3.	Orlando, Florida	$25.25
	Pittsfield, Massachusetts	29.70
5.	Portland, Maine	27.30
.	Raleigh, North Carolina	24.80
.	Rockford, Illinois	21.60
.	Salt Lake City, Utah	27.35
.	Santa Barbara, California	29.80
.	Spokane, Washington	27.05
1.	Springfield, Illinois	22.50
2.	Springfield, Missouri	19.60
3.	Toledo, Ohio	25.05
4.	Tucson, Arizona	26.20
35.	Wichita, Kansas	21.55
36.	Wilmington, Delaware	24.30
37.	York, Pennsylvania	23.65

Under 100,000 Population Type Cities

1.	Albany, Georgia	20.40
2.	Anchorage, Alaska	35.70
3.	Boise, Idaho	23.20
4.	Burlington, Vermont	25.95
5.	Charleston, West Virginia	25.75
6.	Cheyenne, Wyoming	23.55
7.	Great Falls, Montana	23.10
8.	Manchester, New Hampshire	21.45
9.	Roanoke, Virginia	25.05
10.	Sioux Falls, South Dakota	23.00

Mrs. COLLINS. With regard to mileage allowances, do you feel that a maximum of 18 cents per mile will permit sufficient flexibility to absorb any foreseeable increased costs?

Mr. ZECHMAN. Well, I would hope so. In the last year or so with the energy crisis, we have seen a substantial increase in the price of gasoline. Right now, I think our studies indicate that the cost of operating a privately owned automobile is approximately 15 cents per mile and currently we are authorized by statute to pay 12 cents.

So we have a problem here. Unless there is some unforeseen circumstance, I think that the 18 cents would be reasonable.

Mrs. COLLINS. What percentage of the per mile operating costs for an automobile is attributable to expenditures for gasoline?

Mr. ZECHMAN. I am told it is approximately 15 percent of the total cost.

Mrs. COLLINS. 15 percent?

Mr. ZECHMAN. I will substantiate that for the record.

[The information follows:]

According to a GSA study of mileage costs conducted in April 1974, gasoline costs represented approximately 22 percent of the total costs for an automobile.

Mrs. COLLINS. Would you provide the subcommittee with copies of the GSA study on the cost of operating an automobile and aircraft?

Mr. ZECHMAN. Yes.

[The information referred to follows:]

COST OF OPERATING AN AUTOMOBILE

NOTE:

GSA adjusts the DOT cost factors to exclude 2 cents per mile for garage, parking, and tolls as these are reimbursed separately. The depreciation is adjusted to allow a more realistic rate of 5 years instead of 10 years used by DOT. This results in an adjusted rate per mile of 14.4¢ for GSA purposes.
FZSP 5/30/74

SUBURBAN BASED OPERATION

CENTS PER MILE

	ORIGINAL VEHICLE COST DEPRECIATED	MAINTENANCE, ACCESSORIES, PARTS & TIRES	GAS & OIL (EXCLUDING TAXES)	GARAGE, PARKING, & TOLLS	INSURANCE	STATE & FEDERAL TAXES	TOTAL COST
STANDARD SIZE	4.2¢	3.4¢	3.2¢	2.0¢	1.6¢	1.5¢	15.9¢
COMPACT SIZE	2.9¢	2.7¢	2.6¢	2.0¢	1.5¢	1.2¢	12.9¢
SUBCOMPACT SIZE	2.3¢	2.5¢	2.0¢	2.0¢	1.5¢	.9¢	11.2¢

U.S. DEPARTMENT OF TRANSPORTATION
Federal Highway Administration
Office of Highway Planning
Highway Statistics Division
April 1974

COST OF OPERATING AN AUTOMOBILE

L. L. Liston and R. W. Sherrer

(Mr. Liston is Chief of the Vehicles, Drivers, and Fuels Branch, Highway Statistics Division of the Federal Highway Administration. Mr. Sherrer is an Economist in the Vehicles, Drivers, and Fuels Branch.)

Introduction

The 101 million automobiles registered in 1973 traveled more than 1 trillion miles and used over 76 billion gallons of gasoline. About 11 million of these automobiles were purchased new during the year at a cost of more than $27 billion. Many of the owners of these new cars, who bought vehicles costing $2,500 or more, probably did not realize that they were making the second most expensive purchase a person makes during his life. In fact, most owners probably are not aware of how much their cars cost to own and operate. The purchase price is only the first in a series of costs incurred in the automobile's approximate 10-year, 100,000-mile trip from the assembly line to the junkyard. *To examine this trip and the vehicle costs, one geographic location, suburban Baltimore, Maryland, was chosen as the study site. The study data are for that location only, and are not national averages.*

As was the case in the 1972 study, three cars have been chosen to compare the costs incurred, and to show the various costs in relation to the highway-user taxes paid. Earlier editions of this report[1] considered costs for only one vehicle, a standard size "big 3" four-door sedan operated from a home in the Baltimore, Maryland, area. The current study is also based in the Baltimore, Maryland, area in order to retain comparison with data from prior reports.

The vehicles chosen for study are a standard size "big 3" four-door sedan (table 1), an American-made compact (table 2), and a subcompact (table 3). The modern American subcompact cars have not been in existence long enough so that accurate data can be obtained on anticipated repairs and maintenance costs. Therefore, assumptions had to be made concerning some of these factors. All assumptions will be discussed later.

During the 10-year study period, assuming current rates, the standard-size car owner will pay $4,032 for some 7,700 gallons of gasoline. He will pay $2,940 to keep the vehicle maintained and in repair, $1,618 to insure it, and $1,960 for garaging, parking, and tolls. His State and Federal automotive tax bill, most of which goes to support the roads he drives on, will amount to $1,509—about 9.5 percent of total costs. Many ownership and operation costs for the typical compact and subcompact cars are not comparable to those of the standard-size car because of the assumed items of optional equipment on each car and their effect on costs. However, the automotive tax portions of the costs for each car should be comparable. These taxes total $1,158 for the compact car, and $925 for the subcompact car—9 percent and 8.3 percent respectively of total costs.

During the 24-year period, 1950–1974, the State and Federal tax component of automobile costs has varied less than 1.5 percentage points (10.9 percent in 1950 to 9.5 percent in 1974). The taxes shown in this report for the standard-size automobile are 9.5 percent of total costs, down from the 9.7 percent shown in 1972. Many local jurisdictions tax motor vehicles and their use in a manner similar to the State registration taxes and motor-fuel taxes. Also, several States levy personal property taxes on motor vehicles. None of these taxes were levied in the study area, but any computations of the cost of owning and operating an automobile in an area where such taxes exist should include them.

The "Cost of Operating an Automobile" report has been updated and published as changes in costs and vehicle characteristics have warranted additional study. The most recent prior edition was issued in April 1972. The text, method, and coverage of the current report borrows freely from former reports.

[1] Studies were published in 1950, 1967, 1970, and 1972. Copies of the 1972 study are available, but supplies of the earlier editions have been exhausted.

Study Factors and Assumptions

A description of the vehicles included in the study, the repairs, the repetitive maintenance operations, replacement items, insurance, and other costs that were included in the study and the values of factors used to compute these costs are listed in the tabulation titled, "Automobile Operating Costs—Bases for Estimates." The costs and rates for suburban Baltimore, shown in this table, can be compared easily with costs and rates for other localities. Then, estimates of automobile operating costs for vehicles in those other localities can be made using this study as a guide. For example, the price of gasoline used in this study, as shown in the "Bases for Estimates" table, was 52.1 cents per gallon. If the price of gasoline in another locality were 54.1 cents per gallon, persons living there, and wishing to estimate their own automobile operating costs, could adjust the gasoline cost figure in this study to reflect the 2 cents per gallon higher price. Other costs and rates would have to be checked, and any necessary adjustments made.

The vehicles considered here are from the same manufacturers as those used in the 1972 study, but there are base price differences between the cars for each of the years.

In prior studies, the list or "sticker" price of the basic automobile plus optional equipment was considered to be the purchase price. In the current study the purchase price of the car was considered to be the "sticker" price of the vehicle including optional equipment less the average discount allowed on that car, as reported by a number of dealers. Consequently, even though the list price of the 1974 model standard-size car is several hundred dollars more than the price of the comparable vehicle used in the 1972 study, the *purchase price* shown for the 1974 model is less. The amount of discount a dealer allows depends on the size of dealership, his inventory situation, time of year, and the ability of the buyer to negotiate a good deal.

The costs shown in this report are not taken from records of specific vehicles nor are the amounts of usage, fuel consumption rates, or any other factors necessarily presented as averages. However, the vehicle and operation cost factors probably are typical for cars of these sizes in the study area. Nationwide sales records of the 1974 model standard-size car, and the compact show that 90 percent or more had power steering, over 94 percent had automatic transmissions, 90 percent had radios, and 85 percent of the standard-size cars had air conditioners. For the subcompacts the number with power steering was negligible, 27 percent had air conditioning, 57 percent had automatic transmissions, and 83 percent had radios. The factors used here were selected on the basis of available statistics, discussions with automobile industry personnel, and assistance from service managers of major automobile dealers.

In order to estimate car operating costs, it was necessary to make a series of assumptions concerning tire and battery replacements, wheel alinements, light bulbs, fan belts, brake linings and parts, lubrications, and other repair and maintenance items. The need for repairs was estimated from data gathered during discussions of repair experience with car service personnel, and from the authors' knowledge. They include such items as starter repair, carburetor overhaul, replacement of fuel pump, radiator hoses, muffler, tail pipes, and shock absorbers, and what must seem to the owner to be a pretty long list of other repairs. Several of these repairs must be made more than once during the life of the car. No costs were included for repairs or replacements that would have been covered by warranties. The mechanical features on the vehicles in this study are similar to those in the prior study, so changes in costs are due mainly to increases in charges for parts and labor. Maintenance and repair costs' reflect a 3-year increase in parts prices over those used in the 1972 study. The 1972 study was based on 1971 prices. In the current study the costs for all repairs are based on 1974 prices.

The assumed vehicle life of 100,000 miles during a 10-year period has been questioned by some persons as being too long, and others who believe it to be too short. Vehicle survival data developed on popular brand, standard-size cars show that half of those automobiles were still on the road at the end of 10 years. This finding appears to be applicable to the compact cars also, but there is still not enough evidence to establish a survival rate for subcompacts. Odometer readings were taken recently from subcompact cars ranging from 1 to 3 years old, and the indicated miles traveled are consistent with the mileage assumptions for the standard-size and compact cars.

It has been assumed that each car was bought new, without a trade-in, and that the purchaser did not have to pay full sticker price. The intent is to trace each vehicle and its costs through a 10-year life as developed from odometer records of vehicles of these kinds. Usually an automobile passes through two, three, or more owners during its life, but we have not included any change of ownership costs in our figures. A person's demand for transportation tends to be relatively stable from year to year, so it would be unlikely that he would operate his only car successively fewer miles each year. However, a 9-year old car is typically operated fewer miles during the year than a new one or a relatively new one. Therefore, it can be assumed that the older car has become the second or third car in a family, or for some other reason it is operated at a much reduced rate.

Not all cost items are listed in detail in the tables, but sufficient information is included to assist those who wish to make recomputations to fit other geographic areas, or other types of operation. The costs are computed for suburban Baltimore, Maryland. If the suburban costs had been computed for Boston, New York, or San Francisco, they probably would have been higher, and if they had been computed for Jacksonville, Montgomery, or Fort Worth, they would have been lower. Rural running costs in most parts of the United States probably would not differ greatly, but there could be noticeable differences in vehicle registration fees, and in gasoline taxes because of the variance in rates among States. The running costs (gasoline, tires, oil, repairs, and maintenance, etc.) for the vehicles in rural operation tend to be lower than for comparable cars in suburban use. because there are fewer traffic control devices, less congestion, and the opportunity for accidents with other vehicles is less frequent.

The costs that are most likely to change in the short range, and are likely to need adjustments from one geographic location to another are: gasoline price and tax, registration fee, repair labor rate, insurance premium, toll charges and parking charges. Also, the remaining value of a car differs from region to region, so the used car value guide should be consulted for the owner's area in order to adjust the amount for depreciation.

Automobile financing charges are not included in the tables of costs shown in this report. However, they can be computed easily for given automobile sales prices and interest rates. A car buyer must pay interest on money borrowed from a bank or other financial institution or forego interest he would have earned if he elects to use his savings or other investments and pay for the car outright. On a 36-month loan covering three-fourths of the purchase price, the interest charge in suburban Baltimore at a 10-percent annual rate, and its cost per mile for the 3-year period, would be $517 or 1.3 cents per mile for the standard-size car. It would be $356, or 0.9 cents per mile for the compact, and $291 or 0.7 cents per mile for the subcompact. On the other hand, if the purchase were financed by a savings withdrawal rather than by borrowing, and the amount withdrawn were paid back in 36 equal monthly installments, the net interest lost (at 5½ percent) in the account would be $286 or 0.7 cents per mile for the standard-size car, $197 or 0.5 cents per mile for the compact, and $161 or 0.4 cents per mile for the subcompact. There can be important cost differences in alternative methods of financing a new car purchase, and the merits of different plans should be weighed carefully before a particular one is selected.

The garaging cost is computed to be the value of any arrangements made by the car owner for off-street storage of the car at his residence. It may be an attached or detached garage, a carport, or it may be a paved parking apron or gravel surfaced space beside his house. Parking costs include metered curb parking, and costs of temporary storage in lots or parking buildings away from the owner's residence.

In some areas of the United States tolls and garaging would cost less than in the study area, but an automobile owner traveling south, or west, or north from Baltimore customarily would encounter major toll routes. Also, he would spend more for garaging and parking than residents of small towns or rural areas. To go to New York City, 185 miles to the north and return, he would pay $8.10 in tolls, not counting the $1.20 Baltimore Tunnel fee. This is substantially more than persons living in Atlanta, New Orleans, or St. Louis would have to pay in making similar length trips from their localities.

Oddly enough, many automobile owners do not seem to be aware of many of their automobile costs. It is only when a motorist is confronted with a substantial monetary outlay for new tires or for major mechanical repairs that he shows much concern about car expense. Much of the time he drives his car and seems to conclude that his trips are costing him very little. The average automobile is sold or traded three or more times during its life, usually through new or used car dealers. The need for repairs usually causes owners to trade-in their cars, and the dealers serve as the quality control judges of the used vehicle trade. They wholesale the ones that require too much attention, and make the repairs on the remainder prior to resale. But whether the automobile needing repairs is owned by an individual or is being repaired by a dealer for resale, the money spent eventually becomes a part of the cost of owning and operating the car. Battery and tire replacements, brake linings, radiator repairs, body work, and numerous other replacements and repairs are included in the used car reconditioning programs of many dealers. The additional work that is done under dealer warranties does not impose direct out-of-pocket expenditures on the car owner. These costs are submerged in each automobile's purchase price, and no effort has been made to separate them.

Numerous factors such as individual driving habits, climate, garage facilities, type of road used, purpose for which the car is used, and sometimes luck can affect service life and costs of operating a car. As previously stated, the standard-size car appears to have an average life of about 10 years, and the compacts appear to be surviving at about the same rate. The current American subcompacts have been on the market nearly 4 years so their survival history is beginning to develop. Odometer checks of a limited

sample of these subcompacts show an average annual mileage for the first 3 years of 13,000 miles. This is consistent with the mileage of the larger vehicles. Other vehicles that were generally of this size (the early Falcons, Valiants, Corvairs, and Ramblers, as well as many imports) appear to be on the highways in sufficient numbers to warrant the following assumptions. For ease of comparison among vehicle sizes and uses, all of the study vehicles have been assumed to have a 10-year, 100,000-mile life. It has been assumed that a normal travel pattern would be 14,500 miles in the first year, and a decreasing number of miles each year thereafter until the vehicle is driven only 5,700 miles in its 10th year. These assumptions are reasonably consistent with available travel data.

Other Applications for Study Data

A person's choice of an automobile—standard size, compact, or subcompact—is dependent on several considerations. For the motorist who needs the space provided in the standard-size car because of a large family, carpool needs, or equipment that must be carried, the economies and size advantages of the compact and subcompact must be foregone. If he finds that those needs are not compelling, the smaller cars offer several advantages. Parking in curb space is easier, some parking lots have lower rates for small cars, repair costs are not as expensive, registration fees in some States are lower, tires cost less, and saving in gasoline cost over the life of the car will be enough to pay a substantial amount toward the cost of a new car. Comparing gasoline cost alone between the standard-size car and the subcompact there can be a saving during 100,000 miles of travel of about $1,600 by using the subcompact. This is two-thirds of the new car cost for another subcompact. If a person customarily buys a car every 3 years, the gasoline cost savings by using a subcompact rather than a standard-size car would be over $600, or about one-fourth of the cost of a new subcompact. A comparison between the standard-size car and the compact-size car does not provide as large a difference, but it is worthwhile when you consider that compacts have most of the advantages of the large cars, and at the same time provide most of the advantages of the subcompacts.

Another question that motorists frequently ask is, "When should I trade-in my car?" There is no answer that fits everyone, because monetary consideration is only a part of the problem. Vehicle style, size, interior decor, mechanical features, availability of money, and many other things may be important to the car owner in making his decision of which vehicle to buy, and when to buy again. However, most people probably are concerned mainly with the money difference when they ask the question. The "annual trader" drives a current model car all of the time, but depreciation for his standard-size automobile over a 10-year period costs him about $10,460 (10 times the first year depreciation). The "two-year trader" pays about $8,465 in depreciation (5 times the depreciation for the first 2 years). This is a savings of $1,995 from the annual trader's costs, and he can save even more by becoming a "three-year trader." However, after the first year he faces a series of outlays for tire replacement, repairs, and incidentals that begin to offset his savings in depreciation. The obvious flaw in trying to use these tables to determine when to "trade-in" a car is that a person's annual auto usage tends to be constant from year to year, and does not follow the pattern shown for the life of a car. If he customarily drives 14,500 miles per year, it is unlikely that he would drive fewer miles the second year and still fewer the third year. Therefore, by the end of the third year he will have driven 43,500 miles (3×14,500 miles) instead of the 39,000 miles obtained by accumulating the mileage shown for the first 3 years on table 1. By the end of the fourth year he will have traveled 58,000 miles while table 1 shows this to be the mileage on a 5-year old car. Therefore, it appears that the mileage traveled can be as important to a car's condition and remaining value as the car's chronological age. But, using total miles traveled as the only determinant of a car's condition can be misleading. Some long trips can put a lot of "easy" mileage on a car, while many short trips to the store and around the neighborhood, with a lot of stop-and-go driving, can put fewer, but "very wearing" miles on a car.

The total vehicle cost per mile is lower for the high-mileage drivers, because depreciation in the early years of a car's life is determined more by age than by miles, and because some of the annual or non-recurring charges, such as garaging and insurance, do not increase in proportion to mileage. A low-mileage driver sustains about the same depreciation, insurance, and garaging costs, but they are distributed over fewer miles and result in a higher cost per mile. Most insurance companies charge lower rates for private and recreational uses of vehicles, and higher rates for vehicles used directly for work or in relation to business. In addition, many companies apply a surcharge for high-mileage drivers in both categories. To some degree, the purpose for which a car is used, and the circumstances of its use will dictate the vehicle cost pattern. Once an owner determines his vehicle-use pattern, he may be able to relate his costs to those shown in this report and decide when it will be most advantageous to him to trade his car. The high-mileage driver may find some repairs and tire replacements moved to earlier years than those shown in this study. Of course, comfort, dependability and appear-

38-911 O - 74 - 4

ance are important to most car owners, and weigh heavily in the automobile purchasing decision.

Reimbursement by an employer of the costs for an employee's use of his car for business purposes is a fairly common occurrence today. The question uppermost in the mind of each of the parties is, "How much should the reimbursement be?" If an employee uses his automobile only occasionally and incidentally for business purposes, an amount necessary to cover out-of-pocket costs, tire wear, and general wear on the vehicle should be sufficient. At today's prices 7 to 9 cents per mile should be enough. If the extent or type of use affects his insurance rate, or if it subjects the automobile to unusual loads or operating conditions, the reimbursement should be adjusted upward accordingly. Tolls and parking or storage costs incurred in the course of such use should be paid separately and in full, regardless of per-mile reimbursement. If an employee's job is dependent on his obtaining and using his car in his employer's behalf, reimbursement on the basis of the employee's overall costs per mile seems fair. If, in addition, the employee's frequency of car purchases, the type of automobile bought, or other factors of ownership or upkeep are substantially affected by the employer's requirements, the reimbursement should be sufficient to cover all outlays that exceed what the employee would normally spend for his own nonbusiness automobile transportation. For complete information concerning reimbursement for private automobile use, there are business travel advisory services that can be consulted. These are commercial advisory services that have made studies of costs for specific vehicles and groups of vehicles under various conditions of use.

Discussion of Costs

When an automobile is operated 100,000 miles there are 400,000 miles of tire wear. For the vehicles in this report it was assumed that fiberglass bias-belted tires would be used. Therefore, the automobiles would each wear out the original 5 tires and require 11 additional replacements, which would include 7 regular tires and 4 snow tires. If the automobiles are driven with reasonable care, and the wheels are kept properly alined, this number of tires should be adequate for the standard-size car. The compact and subcompact should turn 100,000 miles and have usable tread left on the tires.

If the standard-size automobile were purchased with radial tires having a 40,000 mile tread-wear guarantee, it is likely that only 5 tire replacements would be necessary. The cost of replacement fiberglass tires would be $386 while the replacement radials would cost $350. The saving of $36 would be enhanced by additional savings in gasoline, since the gasoline consumption rate is improved by about 5 percent when radial tires are used.

Depreciation is the greatest single cost of owning and operating a standard-size automobile, and the second highest cost for the compact and subcompact. In the great majority of cases the age of a car is more important than its mileage in determining its resale or trade-in value. Such factors as brand popularity, body style, size, and to some degree, color, are also considered in determining value. For the standard-size car, by far the greatest dollar depreciation in its value occurs in its first few years, while for the smaller cars the depreciation is more evenly distributed over their years of use. Since newer cars are driven more miles than older cars, the depreciation on a per-mile basis is held down the first few years. For example, consider depreciation for the standard-size car in this report. If the car were bought new for $4,251 and sold or traded at the end of the first year, when it had been driven 14,500 miles, depreciation would be $1,046. This depreciation cost divided by the 14,500 miles driven the first year amounts to 7.2 cents per mile. By the end of the second year, when the car has been driven 27,500 miles, depreciation would total $1,693, which divided by the 27,500 miles would compute to 6.2 cents per mile. Year by year as the car gets older depreciation decreases, but the outlay for maintenance and repairs rises. As time passes it becomes increasingly difficult and expensive to keep a car in satisfactory operating condition.

Modern highways with limited access, such as the Interstate System, make possible long trips at sustained speeds. To do this safely requires a well maintained car. Although added safety features are being incorporated in the highways and the new vehicles are being equipped with lap and shoulder belts, impact resistant bumpers, side guard beams in the doors, etc., there also must be a policy of continuous, high-standard maintenance of the vehicles to help make highway travel safe. A charge of $12 an hour or more for shop labor is not unusual, and this is a major factor in the 2.9 cents per mile cost for repairs and maintenance for the standard-size automobile. The encouragement of the public to buy compact and subcompact cars is based on substantially better gasoline mileage and the relative simplicity of the vehicles. For those persons who might like to do some of their own minor repairs and maintenance, the smaller cars afford that opportunity. Replacement of spark plugs, windshield wiper blades, fan belts, radiator hoses, etc., are simple and there are indeed savings to be realized. When trained mechanics do these jobs, vehicle owners must pay professional wages. Although there are increasing numbers of "at home" mechanics, repair garage experience shows that the public generally is not ready to assume this responsibility.

The gasoline expense is the highest cost for the compact and subcompact, and second only to depreciation for the standard-size car. Until gasoline shortages began to occur in 1973, the price of gasoline had changed very little for 20 or more years. However, the gasoline price has risen more than 14 cents per gallon in the study area since early 1972, with practically all of the increase occurring in the few months of late 1973 and early 1974. There was a 2-cent State gasoline tax increase in mid-1972, so the remaining 12 cents of the increase is all price, and is a 32 percent rise.

Automobiles are continuously exposed to the possibility of damage, whether on the highway or parked. The large numbers of vehicles on the roads and streets, and the relatively uncontrolled traffic in shopping center parking lots make cars highly susceptible to accident involvement. Controlled crash tests on cars produced through 1973 showed that they were not able to escape unmarked from any sort of collision. Automotive designs had been developed with little or no regard for safety, and some even contributed unnecessarily to automotive damage with the attendant higher repair costs and higher insurance. One insurance company executive commented that until the volume of accidents is cut, or until cars are built so they are cheaper to repair, there is not much that can be done about rates. The 1974 models were manufactured with energy absorbing bumpers that were designed to protect against impacts up to 5 miles per hour without damage to the vehicles. As a result, several major insurance company spokesmen have stated that up to a 20-percent discount in collision insurance premiums can be expected on these vehicles.

The insurance coverage includes $50,000 combined public liability, full comprehensive fire and theft, uninsured motorist, and personal injury protection with first-party medical and wage benefits of $2,500. The latter is no fault insurance and is now compulsory in Maryland. Also included is $100 deductible collision insurance, which is dropped after the first 5 years. If an owner is "at fault" in an accident during the first 5 years, the first $100 damage to his automobile is out-of-pocket cost to him, but from the sixth through the tenth years he must pay the entire cost for repairing his automobile. Accidents could, therefore, increase the cost of owning and operating a vehicle above the amounts shown in the accompanying tables.

The quality of roads—grades, surfaces, and curves—has been improved substantially in recent years. The Interstate Highway System is approaching completion, with 84 percent open to traffic, another 7 percent under construction, and 7 percent with engineering or right-of-way work in progress. These roads are more than living up to the expectations for them. Highway authorities point out that the newer highways of the Interstate System design provide opportunity for sustained safe speeds and comfort for the motorists. Accident records show that the Interstate System accident rate is about half that of the remainder of the primary highways in the United States. Savings in accident costs from the Interstate System alone are counted in billions of dollars.

The development of local shopping centers, suburban residential areas, and employment centers, as well as the dispersal of recreational opportunities has made transportation very important in the American life pattern. Where public transportation is not well developed, the automobile must be used. Sales records of new vehicles show increased purchases of compact and subcompact cars in preference to the larger models. In many cases this is a reaction to the gasoline shortages that have plagued parts of the United States during the last few months. It is interesting to note, however, that a high percentage of the smaller than standard-size cars being purchased have air conditioners, automatic transmissions, power steering and other optional equipment. There appears to be no shortage of money to buy cars, and people still want to travel. The lack of adequate roads can cause car running costs to rise. When traffic is not free flowing, there is greater fuel consumption, higher fuel cost, more pollutants are released into the air, there is greater opportunity for accidents, and there is much higher per-mile wear on engine parts, brakes, tires, etc. Also, poorly maintained roads may develop pot holes, broken slabs, obliterated traffic lines, damaged or missing signs, etc. Any or all of these could contribute to damage to a motor vehicle and the safety of those riding in it. So the problem is to maintain an adequate highway system that will save money on operating and maintenance costs. However, putting highway costs into proper perspective is difficult at times.

Highway-user taxes are the major source of revenues for highway building and maintenance. In paying them the motorist is, in a very real sense, paying for the roads he is using. For some motorists it will come as a surprise that for the standard-size car only 9.5 cents of their vehicle owning and operating dollar goes to pay for the roads. For the smaller cars it is even less.

Financing highway construction and maintenance has become increasingly difficult over the years, because automotive taxes are generally applied as unit charges. The gasoline tax at a certain number of cents per gallon, and the registration fees at a flat rate per vehicle, are not sensitive to price changes. As the cost of labor and products used for highway construction and maintenance rise, the gasoline tax and registration fees do not yield comparably higher revenues. Therefore, except for the possibility of

added revenues caused by greater use of gasoline and more vehicles being registered, highway construction and maintenance must be accomplished with tax money that is continuously losing value. Relief occurs only when States raise their tax rates to try to offset inflated costs. Sensitivity to changes in costs would be possible if these taxes were applied on the value of the product, like sales taxes.

During the first year of operation the three study cars would have daily owning and operating costs of $6.65 (standard size), $4.30 (compact), and $3.52 (subcompact). In the second year daily costs would drop by $1.70 for the standard-size car to $4.95; by 38 cents to $3.92 for the compact; and by 33 cents to $3.19 for the subcompact. The daily costs continue to drop, and the differences in these costs between car sizes narrow as the years pass. By the time each of the cars has accumulated nearly 60,000 miles, the daily costs are relatively close. They remain close during the next 25,000 miles of travel, so the economic advantage of having a small car during that period would not be great. Other factors that might influence the choice of a vehicle during this time might be the availability of gasoline, miles per gallon obtained, parking convenience, maneuverability in traffic, the ability to transport large numbers of persons or bulky materials, and environmental considerations.

The bases for estimating the operating costs for each of the study automobiles follow, in modified tabular form, in order to emphasize the factors that differ and those that are the same for the three vehicles. The annual costs and per-mile costs shown in tables 1, 2, and 3 are self-explanatory.

AUTOMOBILE OPERATING COSTS - BASES FOR ESTIMATES

ITEM	STANDARD SIZE AUTOMOBILE	COMPACT SIZE AUTOMOBILE	SUBCOMPACT SIZE AUTOMOBILE
Automobile Description	1974 model 4-door sedan Equipped with: V-8 engine, automatic transmission, power steering and brakes, air conditioning, tinted glass, radio, clock, white-wall tires, wheel covers, and body protective molding. Purchase price - $4,251.	1974 model 2-door sedan Equipped with: 6 cylinder engine, automatic transmission, power steering, radio, vinyl top, wheel covers, and body protective molding. Purchase price - $2,910.	1974 model 2-door sedan Equipped with: Standard equipment plus radio, wheel covers, and body protective molding. Purchase price - $2,410.
Repairs and Maintenance	Includes routine maintenance such as lubrications, repacking wheel bearings, flushing cooling system, and aiming headlamps; replacement of minor parts such as spark plugs, fan belts, radiator hoses, distributor cap, fuel filter, and pollution control equipment; minor repairs such as brake jobs, water pump, carburetor overhaul, and universal joints; and major repairs such as a complete "valve job." Costs were calculated using 1974 parts prices and a $12 per hour labor rate.		
Replacement Tires	Purchase of 7 new regular tires and 4 new snow tires during the lives of the cars was assumed.		
Accessories	Purchase of floor mats the first year, seat covers the sixth year, and miscellaneous items totaling $2.20 per year was assumed.		
Gasoline	Consumption rate of 12.92 miles per gallon and a gasoline price of 52.1 cents per gallon including taxes were used.	Consumption rate of 15.97 miles per gallon and a gasoline price of 52.1 cents per gallon including taxes were used.	Consumption rate of 21.43 miles per gallon and a gasoline price of 52.1 cents per gallon including taxes were used.
Oil	Consumption was associated with gasoline consumption at a rate of 1 gallon of oil for every 159 gallons of gasoline. A price of $1.00 per quart was used.	Consumption was associated with gasoline consumption at a rate of 1 gallon of oil for every 150 gallons of gasoline. A price of $1.00 per quart was used.	Consumption was associated with gasoline consumption at a rate of 1 gallon of oil for every 135 gallons of gasoline. A price of $1.00 per quart was used.
Insurance	Coverage includes $50,000 combined public liability ($15,000/$30,000 bodily injury, and $5,000 property damage), $2,500 personal injury protection, uninsured motorist coverage, and full comprehensive coverage for the 10-year period. Deductible collision insurance was assumed for the first 5 years ($100 deductible).		
Garaging, Parking, and Tolls	Includes monthly charges of $11.00 for garage rental or indirect cost of the owner's garaging facility; plus parking fee average of $57.00 per year, and toll average of $7.00 per year, both of which were assigned in proportion to annual travel.		
Taxes	Includes Federal excise taxes on tires (10 cents per pound), lubricating oil (6 cents per gallon), and gasoline (4 cents per gallon); plus the Maryland tax on gasoline (9 cents per gallon), titling tax (4 percent of retail price), and registration fee ($20.00 for 3,700 pounds or less shipping weight, or $30.00 for vehicles over 3,700 pounds).		

TABLE 1 - ESTIMATED COST OF OPERATING A STANDARD SIZE 1974 MODEL AUTOMOBILE 1/

(Total costs in dollars, costs per mile in cents)

Office of Highway Planning
Highway Statistics Division

ITEM	FIRST YEAR (14,500 miles)		SECOND YEAR (13,000 miles)		THIRD YEAR (11,500 miles)		FOURTH YEAR (10,000 miles)		FIFTH YEAR (9,900 miles)	
	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE
Costs Excluding Taxes:										
Depreciation	1,046.00	7.21	647.00	4.98	550.00	4.78	404.00	4.04	294.00	2.97
Repairs and Maintenance	122.96	.85	158.01	1.21	333.42	2.90	442.36	4.42	326.76	3.30
Replacement Tires	18.63	.13	16.71	.13	28.98	.25	42.09	.42	42.80	.43
Accessories	3.53	.02	3.39	.03	3.25	.03	3.11	.03	3.10	.03
Gasoline	438.70	3.03	393.35	3.02	347.99	3.03	302.63	3.03	299.51	3.03
Oil	20.00	.14	19.00	.15	20.00	.17	19.00	.19	21.00	.21
Insurance	205.00	1.41	192.00	1.48	192.00	1.67	177.00	1.77	177.00	1.79
Garaging, Parking, Tolls, etc.	224.80	1.55	215.20	1.65	205.60	1.79	196.00	1.96	195.36	1.97
Total	2,079.62	14.34	1,644.66	12.65	1,681.24	14.62	1,586.19	15.86	1,359.53	13.73
Taxes and Fees:										
State:										
Gasoline	100.98	.70	90.54	.70	80.10	.70	69.66	.70	68.94	.70
Registration	30.00	.21	30.00	.23	30.00	.26	30.00	.30	30.00	.30
Titling	170.04	1.17	-	-	-	-	-	-	-	-
Subtotal	301.02	2.08	120.54	.93	110.10	.96	99.66	1.00	98.94	1.00
Federal:										
Gasoline	44.88	.31	40.24	.31	35.60	.31	30.96	.31	30.64	.31
Oil 2/	.30	-	.29	-	.30	-	.28	-	.32	-
Tires	1.45	.01	1.30	.01	2.26	.02	3.27	.03	3.34	.04
Subtotal	46.63	.32	41.83	.32	38.16	.33	34.51	.34	34.30	.35
Total Taxes	347.65	2.40	162.37	1.25	148.26	1.29	134.17	1.34	133.24	1.35
Total of All Costs	2,427.27	16.74	1,807.03	13.90	1,829.50	15.91	1,720.36	17.20	1,492.77	15.08

ITEM	SIXTH YEAR (9,900 miles)		SEVENTH YEAR (9,500 miles)		EIGHTH YEAR (8,500 miles)		NINTH YEAR (7,500 miles)		TENTH YEAR (5,700 miles)		TOTALS AND AVERAGES FOR TEN YEARS (100,000 miles)	
	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE
Costs Excluding Taxes:												
Depreciation	264.00	2.67	252.00	2.65	250.00	2.94	248.00	3.31	246.00	4.31	4,201.00	4.20
Repairs and Maintenance	379.81	3.84	570.45	6.00	224.05	2.63	346.92	4.62	35.20	.62	2,939.94	2.94
Replacement Tires	53.39	.54	53.71	.57	51.61	.61	43.47	.58	34.60	.61	385.99	.38
Accessories	9.43	.09	9.14	.10	8.42	.10	7.67	.10	6.36	.11	57.40	.06
Gasoline	299.51	3.03	287.39	3.03	257.28	3.03	227.17	3.03	172.43	3.02	3,025.96	3.03
Oil	22.00	.22	23.00	.24	19.00	.22	20.00	.27	12.00	.21	195.00	.19
Insurance	135.00	1.36	135.00	1.42	135.00	1.59	135.00	1.80	135.00	2.37	1,618.00	1.62
Garaging, Parking, Tolls, etc.	195.36	1.97	192.80	2.03	186.40	2.19	180.00	2.40	168.48	2.96	1,960.00	1.96
Total	1,358.50	13.72	1,523.49	16.04	1,131.76	13.31	1,208.23	16.11	810.07	14.21	14,383.29	14.38
Taxes and Fees:												
State:												
Gasoline	68.94	.70	66.15	.70	59.22	.70	52.29	.70	39.69	.70	696.51	.70
Registration	30.00	.30	30.00	.31	30.00	.35	30.00	.40	30.00	.52	300.00	.30
Titling	-	-	-	-	-	-	-	-	-	-	170.04	.17
Subtotal	98.94	1.00	96.15	1.01	89.22	1.05	82.29	1.10	69.69	1.22	1,166.55	1.17
Federal:												
Gasoline	30.64	.31	29.40	.31	26.32	.31	23.24	.31	17.64	.31	309.56	.31
Oil 2/	.33	-	.34	-	.29	-	.30	-	.18	-	2.93	-
Tires	4.15	.05	4.17	.05	4.01	.05	3.38	.05	2.70	.05	30.03	.03
Subtotal	35.12	.36	33.91	.36	30.62	.36	26.92	.36	20.52	.36	342.52	.34
Total Taxes	134.06	1.36	130.06	1.37	119.84	1.41	109.21	1.46	90.21	1.58	1,509.07	1.51
Total of All Costs	1,492.56	15.08	1,653.55	17.41	1,251.60	14.72	1,317.44	17.57	900.28	15.79	15,892.36	15.89

1/ This estimate covers the total costs of a fully equipped, medium priced, standard size, 4-door sedan, purchased for $4,251, operated 100,000 miles over a 10-year period, then scrapped for $50. Baltimore area prices, considered to be in the middle range, were used.

2/ Where costs per mile are less than 1/20 cent, a dash (-) appears in the column.

TABLE 2 - ESTIMATED COST OF OPERATING A COMPACT SIZE 1974 MODEL AUTOMOBILE 1/

Office of Highway Planning
Highway Statistics Division

(Total costs in dollars, costs per mile in cents)

ITEM	FIRST YEAR (14,500 miles)		SECOND YEAR (13,000 miles)		THIRD YEAR (11,500 miles)		FOURTH YEAR (10,000 miles)		FIFTH YEAR (9,900 miles)	
	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE
Costs Excluding Taxes:										
Depreciation	400.00	2.78	372.00	2.86	329.00	2.86	300.00	3.00	266.00	2.69
Repairs and Maintenance	108.48	.75	186.38	1.43	237.19	2.06	310.03	3.10	319.78	3.23
Replacement Tires	15.42	.10	13.83	.11	20.88	.18	34.83	.35	38.65	.39
Accessories	3.53	.02	3.39	.03	3.25	.03	3.11	.03	3.10	.03
Gasoline	355.03	2.45	318.27	2.45	281.52	2.45	244.77	2.45	242.42	2.45
Oil	17.00	.12	16.00	.12	17.00	.15	16.00	.16	17.00	.17
Insurance	190.00	1.31	180.00	1.38	180.00	1.56	166.00	1.66	166.00	1.68
Garaging, Parking, Tolls, etc.	224.80	1.55	215.20	1.66	205.60	1.79	196.00	1.96	195.36	1.97
Total	1,314.26	9.06	1,305.07	10.04	1,274.44	11.08	1,270.74	12.71	1,268.31	12.81
Taxes and Fees:										
State:										
Gasoline	81.72	.57	73.26	.57	64.80	.56	56.34	.56	55.80	.57
Registration	20.00	.14	20.00	.15	20.00	.18	20.00	.20	20.00	.20
Titling	116.40	.80	-	-	-	-	-	-	-	-
Subtotal	218.12	1.51	93.26	.72	84.80	.74	76.34	.76	75.80	.77
Federal:										
Gasoline	36.32	.25	32.56	.25	28.80	.25	25.04	.25	24.80	.25
Oil 2/	.26	-	.24	-	.25	-	.24	-	.26	-
Tires	1.18	.01	1.06	.01	1.60	.02	2.68	.03	2.98	.03
Subtotal	37.76	.26	33.86	.26	30.65	.27	27.96	.28	28.04	.28
Total Taxes	255.88	1.77	127.12	.98	115.45	1.01	104.30	1.04	103.84	1.05
Total of All Costs	1,570.14	10.83	1,432.19	11.02	1,389.89	12.09	1,375.04	13.75	1,372.15	13.86

ITEM	SIXTH YEAR (9,900 miles)		SEVENTH YEAR (9,500 miles)		EIGHTH YEAR (8,500 miles)		NINTH YEAR (7,500 miles)		TENTH YEAR (5,700 miles)		TOTALS AND AVERAGES FOR TEN YEARS (100,000 miles)	
	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE
Costs Excluding Taxes:												
Depreciation	278.00	2.81	269.00	2.83	228.00	2.68	212.00	2.83	186.00	3.26	2,860.00	2.66
Repairs and Maintenance	325.78	3.29	499.65	5.26	234.80	2.76	102.83	1.37	40.61	.71	2,365.53	2.36
Replacement Tires	41.01	.42	49.43	.52	45.09	.53	41.39	.55	30.24	.53	330.77	.33
Accessories	9.43	.10	9.14	.09	8.42	.10	7.67	.10	6.36	.11	57.40	.06
Gasoline	242.42	2.45	232.65	2.45	208.01	2.45	183.77	2.45	139.59	2.45	2,448.45	2.45
Oil	19.00	.19	20.00	.21	16.00	.19	17.00	.23	12.00	.21	167.00	.17
Insurance	130.00	1.31	130.00	1.37	130.00	1.53	130.00	1.73	130.00	2.28	1,532.00	1.53
Garaging, Parking, Tolls, etc.	195.36	1.97	192.60	2.03	186.40	2.19	180.00	2.40	168.48	2.96	1,960.00	1.96
Total	1,241.00	12.54	1,402.67	14.76	1,056.72	12.43	874.66	11.66	713.28	12.51	11,721.15	11.72
Taxes and Fees:												
State:												
Gasoline	55.80	.56	53.55	.57	47.88	.56	42.30	.56	32.13	.56	563.58	.56
Registration	20.00	.20	20.00	.21	20.00	.24	20.00	.27	20.00	.35	200.00	.20
Titling	-	-	-	-	-	-	-	-	-	-	116.40	.12
Subtotal	75.80	.76	73.55	.78	67.88	.80	62.30	.83	52.13	.91	879.98	.88
Federal:												
Gasoline	24.80	.25	23.80	.25	21.28	.25	18.60	.26	14.28	.26	250.48	.25
Oil 2/	.29	-	.30	-	.24	-	.25	-	.18	-	2.51	-
Tires	3.14	.04	3.80	.04	3.46	.04	3.18	.04	2.33	.04	25.41	.03
Subtotal	28.23	.29	27.90	.29	24.98	.29	22.23	.30	16.79	.30	278.40	.28
Total Taxes	104.03	1.05	101.45	1.07	92.86	1.09	84.53	1.13	68.92	1.21	1,158.36	1.16
Total of All Costs	1,345.03	13.59	1,504.12	15.83	1,149.58	13.52	959.19	12.79	782.20	13.72	12,879.53	12.88

1/ This estimate covers the total costs of a medium priced, compact size, 2-door sedan, purchased for $2,910, operated 100,000 miles over a 10-year period, then scrapped for $50. Baltimore area prices, considered to be in the middle range, were used.
2/ Where costs per mile are less than 1/20 cent, a dash (-) appears in the column.

TABLE 3 - ESTIMATED COST OF OPERATING A SUBCOMPACT SIZE 1974 MODEL AUTOMOBILE 1/

Office of Highway Planning
Highway Statistics Division

(Total costs in dollars, costs per mile in cents)

ITEM	FIRST YEAR (14,500 miles)		SECOND YEAR (13,000 miles)		THIRD YEAR (11,500 miles)		FOURTH YEAR (10,000 miles)		FIFTH YEAR (9,900 miles)	
	TOTAL COST	COST PER YEAR	TOTAL COST	COST PER YEAR	TOTAL COST	COST PER YEAR	TOTAL COST	COST PER YEAR	TOTAL COST	COST PER YEAR
Costs Excluding Taxes:										
Depreciation	283.00	1.95	265.00	2.04	255.00	2.22	252.00	2.52	243.00	2.46
Repairs and Maintenance	97.69	.67	150.55	1.16	131.60	1.14	351.63	3.52	297.37	3.00
Replacement Tires	13.64	.09	12.23	.09	15.71	.14	30.81	.31	33.67	.34
Accessories	3.53	.03	3.39	.03	3.25	.03	3.11	.03	3.10	.03
Gasoline	264.32	1.82	236.95	1.82	209.97	1.82	182.60	1.82	180.64	1.83
Oil	14.00	.10	13.00	.10	14.00	.12	13.00	.13	14.00	.14
Insurance	177.00	1.22	169.00	1.30	169.00	1.47	158.00	1.58	158.00	1.60
Garaging, Parking, Tolls, etc.	224.80	1.55	215.20	1.65	205.60	1.79	196.00	1.96	195.36	1.97
Total	1,077.98	7.43	1,065.32	8.19	1,004.13	8.73	1,187.15	11.87	1,125.14	11.37
Taxes and Fees:										
State:										
Gasoline	60.84	.42	54.54	.42	48.33	.42	42.03	.42	41.58	.42
Registration	20.00	.14	20.00	.15	20.00	.17	20.00	.20	20.00	.20
Titling	96.40	.66	-	-	-	-	-	-	-	-
Subtotal	177.24	1.22	74.54	.57	68.33	.59	62.03	.62	61.58	.62
Federal:										
Gasoline	27.04	.19	24.24	.19	21.48	.19	18.68	.19	18.48	.19
Oil 2/	.21	-	.20	-	.21	-	.19	-	.21	-
Tires	.90	.01	.80	.01	1.03	.01	2.02	.02	2.21	.02
Subtotal	28.15	.20	25.24	.20	22.72	.20	20.89	.21	20.90	.21
Total Taxes	205.39	1.42	99.78	.77	91.05	.79	82.92	.83	82.48	.83
Total of All Costs	1,283.37	8.85	1,165.10	8.96	1,095.18	9.52	1,270.07	12.70	1,207.62	12.20

ITEM	SIXTH YEAR (9,900 miles)		SEVENTH YEAR (9,500 miles)		EIGHTH YEAR (8,500 miles)		NINTH YEAR (7,500 miles)		TENTH YEAR (5,700 miles)		TOTALS AND AVERAGES FOR TEN YEARS (100,000 miles)	
	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE
Costs Excluding Taxes:												
Depreciation	236.00	2.38	229.00	2.41	217.00	2.55	203.00	2.71	177.00	3.10	2,360.00	2.36
Repairs and Maintenance	327.85	3.31	324.15	3.41	303.84	3.58	96.37	1.29	38.56	.68	2,119.61	2.12
Replacement Tires	35.67	.36	45.86	.48	44.41	.52	40.93	.55	29.79	.52	302.72	.30
Accessories	9.43	.10	9.14	.10	8.42	.10	7.67	.10	6.36	.11	57.40	.06
Gasoline	180.64	1.83	173.21	1.82	155.23	1.83	136.84	1.82	104.01	1.82	1,824.41	1.82
Oil	16.00	.16	17.00	.18	13.00	.15	14.00	.19	10.00	.18	138.00	.14
Insurance	127.00	1.28	127.00	1.34	127.00	1.49	127.00	1.69	127.00	2.23	1,466.00	1.47
Garaging, Parking, Tolls, etc.	195.36	1.97	192.80	2.03	186.40	2.19	180.00	2.40	168.48	2.96	1,960.00	1.96
Total	1,127.95	11.39	1,118.16	11.77	1,055.30	12.41	805.81	10.75	661.20	11.60	10,228.14	10.23
Taxes and Fees:												
State:												
Gasoline	41.58	.42	39.87	.42	35.73	.42	31.50	.42	23.94	.42	419.94	.42
Registration	20.00	.20	20.00	.21	20.00	.24	20.00	.27	20.00	.35	200.00	.20
Titling	-	-	-	-	-	-	-	-	-	-	96.40	.09
Subtotal	61.58	.62	59.87	.63	55.73	.66	51.50	.69	43.94	.77	716.34	.71
Federal:												
Gasoline	18.48	.19	17.72	.19	15.88	.19	14.00	.19	10.64	.19	186.64	.19
Oil 2/	.24	-	.25	-	.20	-	.21	-	.15	-	2.07	-
Tires	2.35	.03	3.02	.03	2.92	.03	2.69	.03	1.97	.03	19.91	.02
Subtotal	21.07	.22	20.99	.22	19.00	.22	16.90	.22	12.76	.22	208.62	.21
Total Taxes	82.65	.84	80.86	.85	74.73	.88	68.40	.91	56.70	.99	924.96	.92
Total of All Costs	1,210.60	12.23	1,199.02	12.62	1,130.03	13.29	874.21	11.66	717.90	12.59	11,153.10	11.15

1/ This estimate covers the total costs of a low priced, subcompact size, 2-door sedan, purchased for $2,410, operated 100,000 miles over a 10-year period, then scrapped for $50.
2/ Where costs per mile were computed to be less than 1/20 cent, a dash (-) appears in the column.

PRESENT COST OF OPERATING PRIVATELY OWNED AUTOMOBILES

I. OBJECTIVE: Calculate the current cost of operating privately owned automobiles in order to determine the adequacy of the present mileage allowance.

II. BACKGROUND: Under 5 U.S.C. 5 U.S.C. 5704(a)(2), an employee is entitled to a mileage allowance of not more than 12 cents per mile when he uses a privately owned vehicle while on official business. The Office of Management and Budget, in the Standardized Government Travel Regulations (OMB Circular A-7, Revised) prescribed a rate of 11 cents per mile when the use of a privately owned vehicle is advantageous to the Government.

Pursuant to Executive Order 11609, dated July 22, 1971, the General Services Administration published the Federal Travel Regulations (41 CFR 101-7) in May 1973. Since assuming the responsibility for administering the travel regulations, GAS has received several inquiries questioning the adequacy of the present mileage allowances. In response, this study was conducted to determine the cost of operating a privately owned automobile. The study techniques and results are discussed below:

Two earlier studies of the cost of operating privately owned vehicles were compiled by GSA, based on the U.S. Department of Transportation (DOT) Report "Cost of Operating an Automobile", published in April 1972. In April 1974 DOT published an updated version of their earlier study and since the information presented in this new report is more current (costs shown are for February 1974) we felt a corresponding obligation to update our study in order to more accurately reflect the cost of operating a privately owned automobile for official travel.

III. DISCUSSION: It is a fact that the costs, both fixed and variable, are lower for compact cars than for standard size automobiles. It is the intent of this study, therefore, to present the per mile costs for both standard and compact size automobiles.

a. Standard Size Automobiles: The automobile operating costs for 1974 were taken from the U.S. Department of Transportation (DOT) report "Cost of Operating an Automobile" (Annex 1), which was published in April 1974. The costs used in this study were those for a standard size 4-door sedan equipped with: V-8 engine, automatic transmission, power steering and brakes, air conditioning, tinted glass, radio, clock, whitewall tires and body protective molding. It is felt that this car and equipment is representative of standard size 4-door sedans during model year 1974.

Although the DOT study computed the costs of operating a vehicle over a period of 10 years (100,000 miles), we have assumed, for the purpose of this study, that a privately owned vehicle is not likely to be used for business purposes beyond the fifth year. Consequently, the costs presented in this study are the average annual costs for the first five years of operation as shown in Annex 1.

In computing the April 1974 costs shown in Annex 2, the changes in the Consumer Price Index (CPI) from February 1974 to April 1974 for each cost component (tires, gasoline, etc.) were first converted to percentages. These percentages were then applied to the individual cost components presented in the DOT study in order to convert the February 1974 cost per mile to a cost per mile for April 1974. This method of computation was applied to each cost element except depreciation. The methodology used in developing depreciation costs will be explained below.

It should be emphasized that the DOT study was conducted in suburban Baltimore, and, therefore, reflects the prices, taxes, and road and driving conditions of suburban Baltimore. City driving would be more costly while driving costs in rural Maryland should be lower. In addition to the urban and rural cost differences, there are also geographic variations in the cost of living. For example, the residents of Baltimore experience a cost level which is different from that in Chicago, Los Angeles or Atlanta. The March 1974 CPI indicates that the cost of operating an automobile in Baltimore was at an index level of 130.1. However, since the average U.S. city index level of 130.4 is only 0.2% higher than the Baltimore level, it appears that the cost of operating an automobile in Baltimore is representative of the national urban area average costs.

In order to develop and project the over-all cost of operating a standard size automobile, the following individual cost elements were evaluated:

1. <u>Depreciation:</u> The cost per mile for depreciation is influenced primarily by the purchase price (and price changes) and the number of miles the automobile is driven each year. The February 1974 costs were based on a standard size 1974 4-door sedan as described above (finance charges were not included). It was assumed by DOT that this car would be driven a decreasing number of miles from 14,500 in the first year to 9,900 in the fifth year. In this respect, it should be noted that extensive use of a private automobile for official travel could easily increase the annual mileage, which would, in turn, lower the cost per mile for all costs, including depreciation.

In estimating the depreciation costs for the period February to April 1974, it was determined that the application of CPI changes (for new automobiles) to DOT depreciation costs would not provide acceptable cost data. The CPI, insofar as new automobiles are concerned, is adjusted to eliminate the

38-911 O - 74 - 5

effect of price increases attributed to "quality improvements" such as hydraulic safety bumpers, power brakes and steering, structural improvements, etc. Since in many instances, these quality improvements become standard equipment or are required by law, a consumer must bear the additional cost of these items.

Consequently, while the CPI is adjusted downward to compensate for these improvements, the consumer actually pays more and more each year for his automobile. It was felt that a more accurate estimate of future depreciation costs could be obtained by applying the average CPI change for all goods and services (5.08%) to the February 1974 depreciation cost per mile. Although the use of the general index introduces some distortions, it is considered to be a better representation of automobile price trends than an index which has been quality adjusted.

2. Maintenance and Repair: This cost element includes routine maintenance, such as lubrications and flushing the cooling system; replacement of minor parts, such as spark plugs, fan belts, and radiator hoses, minor repairs, such as brake jobs, water pump, carburetor overhaul, and universal joints; and some major repairs. Repairs for collision damage were excluded, but the purchase of minor accessories such as floor mats and miscellaneous items totaling $2.20 per year was assumed. The CPI for these goods and services includes few, if any, quality adjustments.

3. Tires: Because the cost of the original five tires is included in the vehicle depreciation cost, this cost category includes only replacement tires. In was assumed that seven new regular tires and four new snow tires would be purchased during the 10 year, 100,000 mile life of the automobile. Radial tires were not introduced into this study, and although a car fitted with such tires would require fewer tire changes, the higher cost of radial tires would at least partly offset the effects of greater tire mileage.

4. Gasoline: Although gasoline costs represented only 21.7% of the total automobile operation cost per mile in 1971, it has become perhaps the most controversial of all the costs due, primarily, to recent shortages and attendant rising prices. It was determined in the DOT study that a standard car would average 12.92 miles per gallon of gasoline. Obviously, several factors, including the driving environment, engine size, speed, and pollution devices, influence the mileage which in turn influences the gasoline cost per mile. A price of 52.1 cents per gallon, including taxes, was used by DOT.

5. Motor Oil: In the DOT study, oil consumption was associated with gasoline consumption at a rate of one gallon of oil for every 159 gallons of gasoline. A price of $1.00 per quart was used in the DOT study.

6. Insurance: Insurance coverage, as applied to this study, includes $50,000 combined public liability ($15,000/$30,000 bodily injury, and $5,000 property damage), $2,500 personal injury protection, uninsured motorist coverage, and full comprehensive coverage. Deductible collision was assumed for the first five years ($100).

7. Taxes: It is difficult to estimate the behavior of taxes from an analysis of the CPI because the prices of all commodities and services include taxes. As a result, taxes have been held constant at the February 1974 level of 1.03 cents per mile, assuming that any increase or decrease would be reflected in the CPI statistics for the other cost elements.

8. Registration: Included in this item is a $30.00 annual registration fee and a one time titling fee of $170.04 cents.

The overall effect of the price changes for the cost elements described above was an increase in the total cost of operating a privately owned automobile. In February 1974 the U.S. Department of Transportation determined that the cost of operating a standard size automobile (less garage, parking, and toll costs) was 13.99cents per mile. Based on the April 1974 CPI, the cost of operating a private automobile is currently estimated at 14.4 cents per mile (Annex 2).

a. Compact Size Automobiles: These automobile operating costs were also taken from the DOT study "Cost of Operating an Automobile," April 1974 and are found in Annex 3. . The vehicle selected to represent this category is a 1974 model 2-door sedan equipped with: 6 cylinder engine, automatic transmission, power steering, radio, vinyl top, wheel covers and protective molding. With two exceptions, the cost elements and assumptions applied to the standard size vehicle were also used in determining the cost of operating a compact car. These exceptions were that a gasoline consumption rate of 15.97 miles per gallon and an oil consumption rate of one gallon of oil for every 150 gallons of gasoline were applied to the compact car.

The average cost per mile for the first five years of operation was 10.36 cents, which is approximately 74% of the cost of operating a standard size car.

Because of the substantial economies which accure through the use of smaller automobiles, it is felt that a separate and lower rate of reimbursement should be paid to an employce who utilizcs a compact or subcompact size vehicle while on official business. In this respect, a rate equal to 75% of the "standard rate" (roundcd to the next highest cent) appears rcasonable and compensatory.

IV. CONCLUSIONS: Several important conclusions can be drawn from the above discussion.

a. The approximate cost of operating a standard size automobile is currently 14.4 cents per mile.

b. The cost of operating a compact size automobile is approximately 75% of the cost of opcrating a standard size automobile.

c. The maximum mileage allowance of 12 cents per mile, provided under 5 U.S.C. 5704(a)(2) is inadequate when a standard size automobile is uscd for official business.

V. RECOMMENDATIONS:

a. Legislation should be sought to increase the maximum milcage allowances for use of privately owned automobiles on official businCss.

b. The Federal Travel Regulations should be amended to provide for separate rates of reimbursement for compact (including subcompact) and standard size automobiles, if the statutory maximum mileage rate is increased.

ANNUAL AUTOMOBILE OPERATING COSTS

(Standard size 1974 model)

(1) Costs	(2) 1st Year	(3) 2nd Year	(4) 3rd Year	(5) 4th Year	(6) 5th Year	(7) Total	(8) 1/ Cost Per Mile (cents)
Depreciation	$ 1,046.00	$ 647.00	$ 550.00	$ 404.00	$ 294.00	$2,941.00	4.99
Maintenance/repair	126.49	161.40	336.67	445.47	329.86	1,399.89	2.38
Tires	18.68	16.71	28.99	42.09	42.80	149.27	0.25
Gasoline	438.70	393.35	347.99	302.63	299.51	1,782.18	3.03 2/
Motor Oil	20.00	19.00	20.00	19.00	21.00	99.00	0.17
Insurance	205.00	192.00	192.00	177.00	177.00	943.00	1.60
Taxes	147.61	132.37	118.26	104.17	103.24	605.65	1.03
Registration	200.04	30.00	30.00	30.00	30.00	320.04	0.54
Total Cost	$ 2,202.52	$1,591.83	$1,623.91	$1,524.36	$1,297.41	$8,240.03	13.99
Miles Per Year	14,500	13,000	11,500	10,000	9,900	58,900	

Source: Cost table Annex 1 Page 2

1/ Col. 7 ÷ 58,900 miles

2/ Gasoline represents 21.7% of the total cost

TABLE 1 - ESTIMATED COST OF OPERATING A STANDARD SIZE 1974 MODEL AUTOMOBILE 1/

(Total costs in dollars, costs per mile in cents)

Office of Highway Planning
Highway Statistics Division

ITEM	FIRST YEAR (14,500 miles) TOTAL COST	FIRST YEAR COST PER MILE	SECOND YEAR (13,000 miles) TOTAL COST	SECOND YEAR COST PER MILE	THIRD YEAR (11,500 miles) TOTAL COST	THIRD YEAR COST PER MILE	FOURTH YEAR (10,000 miles) TOTAL COST	FOURTH YEAR COST PER MILE	FIFTH YEAR (9,900 miles) TOTAL COST	FIFTH YEAR COST PER MILE
Costs Excluding Taxes:										
Depreciation	1,046.00	7.21	647.00	4.98	550.00	4.78	404.00	4.04	294.00	3.97
Repairs and Maintenance	132.96	.85	158.01	1.21	333.42	3.90	442.36	4.42	336.76	3.30
Replacement Tires	18.63	.13	16.71	.13	38.98	.25	42.09	.43	43.80	.43
Accessories	3.53	.03	3.39	.03	3.35	.03	3.11	.03	3.10	.03
Gasoline	438.70	3.03	393.35	3.02	347.98	3.03	302.63	3.03	299.51	3.03
Oil	30.00	.14	19.00	.15	20.00	.17	19.00	.19	21.00	.31
Insurance	205.00	1.41	193.00	1.48	192.00	1.67	177.00	1.77	177.00	1.79
Garaging, Parking, Tolls, etc.	224.80	1.55	315.20	1.45	205.60	1.79	196.09	1.96	195.36	1.97
Total	2,079.62	14.34	1,644.66	12.65	1,681.24	14.62	1,586.19	15.86	1,359.53	13.73
Taxes and Fees:										
State:										
Gasoline	100.98	.70	90.54	.70	80.10	.70	69.66	.70	68.94	.70
Registration	30.00	.21	30.00	.23	30.00	.36	30.00	.30	30.00	.30
Titling	170.04	1.17	-	-	-	-	-	-	-	-
Subtotal	301.02	2.08	120.54	.93	110.10	.96	99.66	1.00	98.94	1.00
Federal:										
Gasoline	44.88	.31	40.24	.31	35.60	.31	30.96	.31	30.64	.31
Oil 2/	.30	-	.39	-	.30	-	.38	-	.32	-
Tires	1.45	.01	1.30	.01	2.26	.02	3.27	.03	3.34	.04
Subtotal	46.63	.33	41.83	.32	38.16	.33	34.51	.34	34.30	.35
Total Taxes	347.65	3.40	162.37	1.25	148.36	1.29	134.17	1.34	133.34	1.35
Total of All Costs	2,427.27	16.74	1,807.03	13.90	1,829.50	15.91	1,720.36	17.20	1,493.77	15.08

ITEM	SIXTH YEAR (9,900 miles) TOTAL COST	SIXTH YEAR COST PER MILE	SEVENTH YEAR (9,500 miles) TOTAL COST	SEVENTH YEAR COST PER MILE	EIGHTH YEAR (8,500 miles) TOTAL COST	EIGHTH YEAR COST PER MILE	NINTH YEAR (7,500 miles) TOTAL COST	NINTH YEAR COST PER MILE	TENTH YEAR (5,700 miles) TOTAL COST	TENTH YEAR COST PER MILE	TOTALS AND AVERAGES FOR TEN YEARS (100,000 miles) TOTAL COST	TOTALS AND AVERAGES COST PER MILE
Costs Excluding Taxes:												
Depreciation	264.00	2.67	252.00	2.65	250.00	3.94	248.00	3.31	240.00	4.31	4,301.00	4.20
Repairs and Maintenance	379.81	3.84	570.45	6.00	234.05	2.63	346.97	4.62	35.20	.62	2,939.94	2.94
Replacement Tires	53.39	.34	53.71	.57	51.61	.41	43.43	.58	34.60	.61	385.99	.38
Accessories	9.43	.09	9.14	.10	8.42	.10	7.67	.10	6.36	.11	57.40	.06
Gasoline	299.51	3.03	287.39	3.03	257.28	3.03	237.17	3.03	172.43	3.02	3,025.96	3.03
Oil	22.00	.22	23.00	.24	19.00	.22	20.00	.27	12.00	.21	195.00	.19
Insurance	135.00	1.36	135.00	1.42	135.00	1.59	135.00	1.80	135.00	2.37	1,618.00	1.63
Garaging, Parking, Tolls, etc.	195.36	1.97	192.80	3.03	186.40	2.19	180.00	3.40	168.48	3.96	1,960.00	1.96
Total	1,358.50	13.72	1,523.49	16.04	1,131.76	13.31	1,208.23	16.11	810.07	14.21	14,383.29	14.38
Taxes and Fees:												
State:												
Gasoline	68.94	.70	66.15	.70	59.22	.70	52.29	.70	39.69	.70	696.51	.70
Registration	30.00	.30	30.00	.31	30.00	.35	30.00	.40	30.00	.52	300.00	.30
Titling	-	-	-	-	-	-	-	-	-	-	170.04	.17
Subtotal	98.94	1.00	96.15	1.01	89.22	1.05	82.39	1.10	69.69	1.22	1,166.55	1.17
Federal:												
Gasoline	30.64	.31	29.40	.31	26.32	.31	33.24	.31	17.64	.31	309.56	.31
Oil 2/	.33	-	.34	-	.29	-	.30	-	.18	-	2.93	-
Tires	4.13	.05	4.17	.05	4.01	.05	3.38	.05	2.70	.05	30.03	.03
Subtotal	35.12	.36	33.91	.36	30.62	.36	26.92	.36	20.52	.36	342.52	.34
Total Taxes	134.06	1.36	130.06	1.37	119.84	1.41	109.21	1.46	90.21	1.58	1,509.07	1.51
Total of All Costs	1,492.56	15.08	1,653.55	17.41	1,251.60	14.72	1,317.44	17.57	900.28	15.79	15,892.36	15.89

1/ This estimate covers the total costs of a fully equipped, medium priced, standard size, 4-door sedan, purchased for $4,251, operated 100,000 miles over a 10-year period, then scrapped for $50. Baltimore area prices, considered to be in the middle range, were used.
2/ Where costs per mile are less than 1/30 cent, a dash (-) appears in the column.

ANNUAL AUTOMOBILE OPERATING COSTS

(Compact size 1974 model)

(1)	(2) 1st Year	(3) 2nd Year	(4) 3rd Year	(5) 4th Year	(6) 5th Year	(7) Total	(8) Cost per mile 1/
Depreciation	400.00	372.00	329.00	300.00	286.00	1,687.00	2.86
Maintenance/Repair	112.01	189.77	240.44	313.14	322.88	1,178.24	2.00
Tires	15.42	13.83	20.88	34.83	38.65	123.61	0.21
Gasoline	355.03	318.27	281.52	244.77	242.42	1,442.01	2.45
Motor Oil	17.00	16.00	17.00	16.00	17.00	83.00	0.14
Insurance	190.00	180.00	180.00	166.00	166.00	882.00	1.50
Taxes	119.48	107.12	95.45	84.30	83.84	490.19	0.83
Registration	136.40	20.00	20.00	20.00	20.00	216.40	0.37
Total Cost	1,345.34	1,216.99	1,184.29	1,179.04	1,176.79	6,102.45	10.36
Miles Per Year	14,500	13,000	11,500	10,000	9,900	58,900	

Source: Cost table, Annex 1, Page 4

1/ Col. 7 ÷ 58,900 miles

TABLE 2 - ESTIMATED COST OF OPERATING A COMPACT SIZE 1974 MODEL AUTOMOBILE 1/

Office of Highway Planning
Highway Statistics Division

(Total costs in dollars, costs per mile in cents)

ITEM	FIRST YEAR (14,500 miles)		SECOND YEAR (13,000 miles)		THIRD YEAR (11,500 miles)		FOURTH YEAR (10,000 miles)		FIFTH YEAR (9,900 miles)	
	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE
Costs Excluding Taxes:										
Depreciation	400.00	2.78	372.00	2.86	329.00	2.86	300.00	3.00	286.00	2.89
Repairs and Maintenance	108.48	.75	186.38	1.43	237.19	2.06	310.03	3.10	319.78	3.23
Replacement Tires	15.42	.10	13.83	.11	20.88	.18	34.83	.35	38.65	.39
Accessories	3.53	.02	3.39	.03	3.25	.03	3.11	.03	3.10	.03
Gasoline	355.03	2.45	318.27	2.45	281.52	2.45	244.77	2.45	242.42	2.45
Oil	17.00	.12	16.00	.12	17.00	.15	16.00	.16	17.00	.17
Insurance	190.00	1.31	180.00	1.38	180.00	1.56	166.00	1.66	166.00	1.68
Garaging, Parking, Tolls, etc.	224.80	1.55	215.20	1.66	205.60	1.79	196.00	1.96	195.36	1.97
Total	1,314.26	9.06	1,305.07	10.04	1,274.44	11.08	1,270.74	12.71	1,268.31	12.81
Taxes and Fees:										
State:										
Gasoline	81.72	.57	73.28	.57	64.80	.56	56.34	.56	55.80	.57
Registration	20.00	.14	20.00	.15	20.00	.18	20.00	.20	20.00	.20
Titling	116.40	.80	-	-	-	-	-	-	-	-
Subtotal	218.12	1.51	93.28	.72	84.80	.74	76.34	.76	75.80	.77
Federal:										
Gasoline	36.32	.25	32.56	.25	28.80	.25	25.04	.25	24.80	.25
Oil 2/	.26	-	.24	-	.25	-	.24	-	.26	-
Tires	1.18	.01	1.06	.01	1.60	.02	2.68	.03	2.98	.03
Subtotal	37.76	.26	33.86	.26	30.65	.27	27.96	.28	28.04	.28
Total Taxes	255.88	1.77	127.12	.98	115.45	1.01	104.30	1.04	103.84	1.05
Total of All Costs	1,570.14	10.83	1,432.19	11.02	1,389.89	12.09	1,375.04	13.75	1,372.15	13.86

ITEM	SIXTH YEAR (9,900 miles)		SEVENTH YEAR (9,500 miles)		EIGHTH YEAR (8,500 miles)		NINTH YEAR (7,500 miles)		TENTH YEAR (5,700 miles)		TOTALS AND AVERAGES FOR TEN YEARS (100,000 miles)	
	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE	TOTAL COST	COST PER MILE
Costs Excluding Taxes:												
Depreciation	278.00	2.81	269.00	2.83	226.00	2.88	212.00	2.83	186.00	3.26	2,860.00	2.86
Repairs and Maintenance	325.78	3.29	499.65	5.26	234.80	2.76	102.83	1.37	40.61	.71	2,365.53	2.36
Replacement Tires	41.01	.42	49.43	.52	45.09	.53	41.39	.55	30.24	.53	330.77	.33
Accessories	9.43	.10	9.14	.09	8.42	.10	7.67	.10	6.36	.11	57.40	.06
Gasoline	242.42	2.45	232.65	2.45	208.01	2.45	183.77	2.45	139.53	2.45	2,448.45	2.45
Oil	19.00	.19	20.00	.21	16.00	.19	17.00	.23	12.00	.21	167.00	.17
Insurance	130.00	1.31	130.00	1.37	130.00	1.53	130.00	1.73	130.00	2.28	1,532.00	1.53
Garaging, Parking, Tolls, etc.	195.35	1.97	192.80	2.03	186.40	2.19	180.00	2.40	168.48	2.96	1,960.00	1.96
Total	1,241.00	12.54	1,402.67	14.76	1,056.72	12.43	874.66	11.66	713.28	12.51	11,721.15	11.72
Taxes and Fees:												
State:												
Gasoline	55.80	.58	53.55	.57	47.88	.56	42.30	.56	32.13	.56	563.58	.56
Registration	20.00	.20	20.00	.21	20.00	.24	20.00	.27	20.00	.35	200.00	.20
Titling	-	-	-	-	-	-	-	-	-	-	116.40	.12
Subtotal	75.80	.78	73.55	.78	67.88	.80	62.30	.83	52.13	.91	879.98	.88
Federal:												
Gasoline	24.80	.25	23.80	.25	21.28	.25	18.80	.26	14.28	.26	250.48	.25
Oil 2/	.29	-	.30	-	.24	-	.25	-	.18	-	2.51	-
Tires	3.14	.04	3.80	.04	3.46	.04	3.18	.04	2.33	.04	25.41	.03
Subtotal	28.23	.29	27.90	.29	24.98	.29	22.23	.30	16.79	.30	278.40	.28
Total Taxes	104.03	1.05	101.45	1.07	92.86	1.09	84.53	1.13	68.92	1.21	1,158.38	1.16
Total of All Costs	1,345.03	13.59	1,504.12	15.83	1,149.58	13.52	959.19	12.79	782.20	13.72	12,879.53	12.88

1/ This estimate covers the total costs of a medium priced, compact size, 2-door sedan, purchased for $2,910, operated 100,000 miles over a 10-year period, then scrapped for $50. Baltimore area prices, considered to be in the middle range, were used.
2/ Where costs per mile are less than 1/20 cent, a dash (-) appears in the column.

AUTOMOBILE OPERATING COSTS
(Standard size 1972 model)

Item	Cents per mile February 1974	% Change in CPI Feb-Apr 1974 1/	Cents per mile April 1974
Vehicle Depreciation	4.99	1.767	5.08
Maintenance/Repair	2.38	1.948	2.43
Tires	.25	3.071	.26
Gasoline	3.03	9.202	3.31
Motor oil	.17	3.779	.18
Insurance	1.60	0.654	1.61
Taxes	1.03	2/	1.03
Registration	.54	0	.54
Total	13.99		14.44

1/ Source: Annex 3

2/ Effect of changing taxes are reflected in the CPI levels for each of the other cost elements.

CONSUMER PRICE INDEX

Item	February 1974 1/	April 1974 1/	% Change
Vehicle Depreciation 2/	141.5	144.0	1.767
Maintenance/Repair	148.9	151.8	1.948
Tires	110.7	114.1	3.071
Gasoline	147.8	161.4	9.202
Motor Oil	137.6	142.8	3.779
Insurance	137.7	138.6	.654
Registration	128.9	128.9	0

1/ Data furnished by Information Officer, Bureau of Labor Statistics, Department of Labor.

2/ CPI for all goods and services was used as the index is "quality-adjusted" for automobiles.

Subject: Cost of Operating a Privately Owned Automobile (POV)

In the past, GSA prepared two studies which reflected the approximate cost of operating a POV as of May and December of 1973. The summary results of these studies are shown in attachment 1. The costs shown in these two studies were computed by applying changes in the Consumer Price Index (CPI) to basic cost data extracted from a DOT report entitled, "Cost of Operating an Automobile", published in April 1972.

In April 1974, the Department of Transportation updated their 1972 study utilizing prices in effect during February 1974. We updated this latter study to reflect CPI changes from February to April of 1974 and then restated the costs in the original 1972 study to April 1974 to determine how closely our study agreed with the new DOT cost report. We found that, by using the 1974 report as the base, the cost per mile is 14.44 cents while an update of the 1972 report shows the cost per mile at 15.36 or .9¢ higher than the cost computed from the more recent report. The following factors contribute to the difference in costs.

1. The April 1974 costs calculated from the 1972 DOT report (based on 1971 prices) were based on the behavior of the CPI (for all cities) over an extended period of time approximating 3 years. This alone could be expected to produce costs which differ from the results of a completely new base cost study.

2. The method by which DOT computed the depreciation costs would account for much of the difference between the two study results even in the absence of CPI investments over time. In the 1972 study, DOT established the purchase price of an automobile as the sticker price plus the added cost of the optional equipment. In the 1974 study, the purchase price of the car was considered to be the sticker price plus the optional equipment less the average discount allowed by the dealer. This change in methodology had the effect of lowering the depreciation cost which is the largest single component of the overall cost of operating a vehicle. The effect which this change in methodology had on depreciation costs can be seen in attachment 1.

Combined, these factors have contributed to the differences in overall costs as calculated from the two DOT studies. It is our feeling that the more recent DOT study should be used as the base and that the cost per mile computed from the 1974 study (14.4¢) is more indicative of the actual cost of operating a privately owned vehicle, than the costs computed from the 1972 study.

Automobile Operating Costs

		Cents Per Mile			
Item	1971 1/	May 73 2/	Dec 73 2/	Apr 74 2/	Apr 74 3/
Depreciation	6.01	6.45	6.84	7.13	5.08
Maintenance/ Repair	1.88	2.06	2.12	2.21	2.43
Tires	.27	.26	.26	.26	.26
Gasoline	1.98	2.15	2.46	2.99	3.31
Motor Oil	.10	.11	.11	.12	.18
Insurance	1.33	1.30	1.29	1.30	1.61
Taxes	.83	.83	.83	.83	1.03
Registration	.50	.50	.50	.52	.54
TOTAL	12.90	13.66	14.41	15.36	14.44

1/ Data extracted from US Department of Transportation report "Cost of Operating an Automobile", April 1972, based essentially on 1971 prices.

2/ Data calculated by applying Consumer Price Index changes to costs in 1971 base year.

3/ Calculated by applying the Consumer Price Index change from February - April 1974 to data extracted from DOT report "Cost of Operating an Automobile", published in April 1974 based on February 1974 prices.

STUDY OF OPERATING COSTS FOR PRIVATELY OWNED AIRCRAFT

I. OBJECTIVE: Calculate the cost of operating privately owned aircraft in order to determine the adequacy of the present mileage allowance.

II. BACKGROUND: Under 5 USC 5704 (a)(2), an employee is entitled to a mileage allowance of not more than 12 cents per mile when he uses a privately owned aircraft while on official business.

The Federal Travel Regulations (41 CFR 101-7), promulgated by the General Services Administration (GSA) pursuant to Executive Order 11609, dated July 22, 1971, prescribe that agencies will fix the mileage rate for use of privately owned aircraft within the statutory maximum of 12 cents.

The two largest users of this mode of transportation (U.S. Department of the Interior and the Department of Transportation) have stated that the present allowance is inadequate and consequently the employee must bear a large part of the financial burden when a privately owned aircraft is used on official businesss. The Department of the Interior has recommended that the mileage rate be increased to 20 or 22 cents per mile, and the Department of Transportation has suggested a rate up to 20 cents for a single engine aircraft (annex 4). Based on these recommendations, GSA conducted this study to determine the cost of operating a privately owned aircraft.

III. DISCUSSION: The costs presented in this study are based on a report, prepared by the Federal Aviation Administration (FAA) in February 1969, entitled "General Aviation Aircraft Operating Costs."

a. Selection of Representative Aircraft. The FAA study includes costs for several categories of General Aviation aircraft; however, the single-engine, piston aircraft was selected as most representative of the various types of privately owned aircraft. The FAA study supports this selection in stating that two thirds of the single-engine, piston, 1-3 place (seats) aircraft and over one half of the single-engine, piston 4-place and over aircraft are personally owned, while most of the multi engine piston and turbine aircraft are found in the business fleet.

Within the representative category, the costs shown for the 1-3 place aircraft are substantially less than those shown for the 4-place and over type of airplane (annex 1); however, the FAA included several cost items which are not regarded as reimbursable travel expenses - these were deleted for the purpose of this study. In addition, the speed of the 4-place and over aircraft (151 miles per hour) is considerably greater than that of tha 1-3 place aircraft (100 miles per hour). As a result of the cost adjustments and the variance in operating speeds, the difference in the cost per mile for these two types of aircraft is less than two tenths of one cent. Since the adjusted costs are nearly identical, either the 1-3 place of the 4-place and over type of aircraft could be selected aa representative without introducing serious distortions.

b. Evaluation of Data. The costs presented in the FAA report were estimated from information gathered from aircraft manufacturera, consulting firms and trade journals. While the FAA did not conduct tests or surveys for their study, some of the operating costs reported in the trade journals were based on actual flight tests. The use of estimated costs is unavoidable because of the loose and informal structure of the General Aviation fleet, which precludes the collection of reliable emperical operating cost statistics. Most of the single-engine, piston aircraft are privately owned, and few owners maintain specific cost or operating records. A representative of the Aircraft Owners and Pilots Association (AOPA), an organization of the owners of General Aviation aircraft, confirmed this lack of data when he related that the AOPA has not prepared a General Aviation cost study, due primarily to the absence of a sound data collection and reporting system. In summary, the use of estimated costs was dictated by the lack of reliable actual cost information.

The costs reflected in this report do not apply to specific makes and models of aircraft, but instead are "typical" of an aircraft in a particular group. For example, the costs shown in annex 1 for single-engine, piston 1-3 place aircraft are typical for that category of aircraft, but would not be typical for a specific kind of airplane within that category, such as a Cessna 150. Significantly, the use of typical or representative costs is of great value for the purposes of this study, because Government employees, collectively, own various types of General Aviation aircraft.

c. Cost Elements. In developing the overall cost of operating a privately owned aircraft, all of the cost elements discussed below, snd shown in annex 1, were evaluated, and only those which were regarded as reimbursable were retained in the adjusted cost table (annex 2).

1. Fuel and Oil. Fuel costs are based on three factors; the number of gallons of fuel consumed in one hour, the average price per gallon of aviation gasoline (44 cents), and the yearly average number of hours of aircraft utilization. It was also assumed that the oil consumption varied with fuel consumption.

2. Inspections. The FAA requires that all General Aviation aircraft undergo one annual inspection. In addition, any aircraft carrying passengers for hire, or used for flight instruction must be inspected at the end of each 100 hours of operation. Since many single-engine, piston aircraft are used for flight training and some even as air taxis, they are subject to more frequent inspections and higher annual inspection charges. Because both commercially used and privately owned aircraft are included in the single-engine, piston category, the inspection costs shown in annexes 1 and 2 are somewhat higher than they would otherwise be if only the costs for privately owned aircraft were shown.

3. Maintenance. This element includes the cost of labor and parts for maintenance for the airframe, engine, accessories, propeller, electrical equipment, instruments and air conditioning. However, the cost of recovering the airframe, which is required every several years, was not included.

4. Reserve For Overhaul. This item is related in nature to maintenance, but is much more extensive. This category includes required overhaul or replacement of such parts as the engine, electrical equipment, instruments, the propeller and even the airframe.

5. Parking and Landing Fees Away From Home Base. Although these costs were included in the FAA study (annex 1), they were excluded as adjusted cost items in annex 2 of this study. These kinds of expenses are separately allowed when a privately owned automobile is used, and accordingly, it is felt that parking and landing fees, as well as tie-down costs incurred while away from the home station should also be allowed in addition to the mileage rate paid for the use of a privately owned aircraft. The FAA estimates that the cost of these services ranges from $29 a year for a 1-3 place aircraft to $88 for a 4-place and over aircraft. However, the cost to the Government for these services should be less than these amounts, as the traveler would be reimbursed only to the extent that these services are required for official travel.

6. Spare Parts. The cost of spare parts, which an owner may wish to carry aboard his aircraft has not been included in the adjusted cost table. This expense, as reported by the FAA, varies in proportion with the size of an aircraft, and is negligible for single-engine, piston aircraft. In fact, no expense was reported for 1-3 place aircraft, and only $16.00 per year was experienced for the 4-place and over aircraft. It was assumed from this, that the cost of spare parts for single-engine, piston aircraft was incurred for planes used primarily for commercial or agricultural purposes.

7. Pilot Expenses. This element, which includes per diem expenses for crew members is not applicable for the purposes of this study, because employees, using their privately owned aircraft for official travel, act as their own pilots and are allowed per diem expenses under thé Federal Travel Regulations. Accordingly, this item is not included in the adjusted cost table.

8. Depreciation. Depreciation was computed by dividing the cost study, the purchase price used for depreciation was the price in effect during the year in which the median number of aircraft of a particular model were manufactured.

The depreciation trend for aircraft is similar to that for automobiles, in that the greatest amount of depreciation (the largest drop in resale value) occurs within the first few years of ownership. This is significant because

while the depreciation costs in the FAA study are based essentially on the purchase price of a new aircraft, a representative of the AOPA has indicated that many new aircraft are purchased first by business firms, and after four or five years are converted to private ownership. As a result, the depreciation costs presented in this study may be somewhat overstated when relating to privately owned aircraft.

There are three factors which help to minimize any possible overstatement of depreciation costs. First, this study addresses only single-engine, piston aircraft - the majority of which are initially purchased for personal use. Second, the purchase price of single-engine, piston aircraft (except the Beech V35A Bonanza) does not include the cost of avionics equipment. Yet employees, who purchase aircraft equipped with such devices, will obviously experience higher depreciation costs. Third, an average aircraft life span of twenty years was assumed, and while this was consistent with aircraft blue book prices, the FAA presented various examples which imply that the life span for some aircraft may be greater than twenty years. In this respect, a representative of AOPA reflected that twenty years appeared to be reasonable, but added that no one really knows the technological life of an aircraft which has been properly maintained and protected from the elements. Individually, these factors are of minor importance, but together, they may offset the possible elevated depreciation costs resulting from the FAA's use of new aircraft purchase prices.

9. Insurance. A typical aircraft owner would carry four basic types of insurance. These are Hull Insurance, which covers damage to the aircraft (4 percent of the blue book value for single-engine, piston aircraft); Admitted Liability, which is the amount paid to passengers without court action (premiums are $230 for 1-3 place aircraft and $340 for 4-place and over aircraft); Legal Liability against damage to persons or property ($200 for single-engine, piston aircraft) and Medical Insurance, which provides coverage for passengers and crew (premiums are $11 per passenger and $13 for crew members).

10. Aircraft Storage. This element consists of the commercial hangarage or tiedown cost at the home base, and is not an expense directly generated by the conduct of Government business. Accordingly, these costs were deleted from our study as nonreimbursable and do not appear in the adjusted cost table (annex 2).

11. Crew Salary and Benefits. For the purpose of this study it was assumed that when the owner of a privately owned aircraft uses his aircraft for official business, he will also pilot the aircraft. Based on this assumption, the expenses of crew salaries and fringe benefits are considered to be irrelevant, and were not included in the adjusted cost table (annex 2).

12. Miscellaneous. Items in this category include the cost of manuals and charts, damage not covered by insurance and aircraft modernization. These appear to be expenses necessary for the safe operation of an aircraft and were included in annex 2 as allowable costs.

It should be mentioned that not all of the costs incident to the operation of an aircraft were included in this study. Many of these costs are clearly nonreimbursable, such as dues for membership in associations or subscriptions to trade journals. However, some of these costs - specifically State and local taxes - appear to be of an allowable nature. To the extent that these costs have been excluded, the total cost per mile for each type of aircraft (16.46 cents for a 1-3 place aircraft and 16.27 cents for a 4-place and over aircraft) as described in annex 2, may be slightly underestimated.

d. Estimate of Current Costs. The report on General Aviation Operating Costs, prepared by the FAA in February 1969 does not reflect subsequent changes in the price level. In order to calculate current costs, it was necessary to use an index for estimating the magnitude of price changes since 1969.

The Wholesale Price Index (WPI) could not be used because it is essentially a commodity index and excludes the values of services; yet many of the cost elements, which comprise the total cost per mile, are in the nature of services (i.e., inspections, maintenance and insurance). In addition, the WPI reflects prices at the wholesale level, and does not accurately measure the level of costs borne by the owners of small aircraft, who must make their purchases in the retail market.

On the other hand, the Consumer Price Index (CPI) measures the prices of both goods and services at the retail level, but does not provide any data regarding the specific component cost elements which make up the aggregate cost per mile for the operation of privately owned aircraft. Although the CPI does provide price information on specific automobile operating costs (depreciation, maintenance and repairs, gasoline, oil, insurance, etc.), price changes for these elements cannot be applied to aircraft operating costs, as the two items (aircraft and automobiles) are not analogous.

In the absence of specific price data, it was decided that the change reported in the CPI for "all items" would be applied to the total adjusted costs for 1969. Although this approach may not yield a high degree of precision, it should provide a general estimate of the change in the aggregate retail cost of operating a private aircraft. Significantly, during the period from 1969 to December 1973, the change in the CPI for all items closely approximated the change in fuel prices. In fact, while the CPI for all items rose 25-77% from 109.8 to 138.1, the CPI for regular and premium gasoline increased 25.98% from 104.7 to 131.9 - a difference of only 0.21%. Although there is no CPI for aviation fuel, an official of the Bureau of Labor Statistics indicated that the index trend for regular and premium automotive gasoline could be used in estimating the trend in the price of fuel used for general aviation piston aircraft.

The cost per mile as of December 1973 has been computed by applying the CPI increase to the adjusted 1969 costs. As shown in annex 3, the current cost per mile for single-engine, piston aircraft (1-3 place and 4-place and over) is approximately 20.6 cents. As stated earlier in this study, the U.S. Department of the Interior and the Department of Transportation recommended aircraft mileage rates of 20 to 22 cents and 15 to 20 cents, respectively. The letters submitted by these agencies, which are included in annex 4, give support to our finding that the cost of operating a single-engine, piston aircraft is approximately 20.6 cents per mile.

IV. CONCLUSIONS: Three major conclusions can be drawn from the above discussion.

a. The approximate cost of operating a privately owned, single-engine, piston aircraft is presently 20.6 cents per mile.

b. The maximum mileage allowance of 12 cents per mile, provided under 5 USC 5704(a)(2), is inadequate when a privately owned aircraft is used for official business.

c. The cost of landing and parking, as well as tiedown service, have not been included in the mileage rate. At present, there is no authority for separately reimbursing employees for these costs when they use an aircraft for official business, although the same types of expenses may be separately allowed when a privately owned automobile is used for official travel.

V. RECOMMENDATIONS:

a. Legislation should be sought to increase the maximum statutory mileage rate for use of privately owned aircraft on official business.

b. Action should be initiated to amend 5 USC 5704(b) to provide for separate reimbursement for landing, parking, and tiedown costs incurred when a privately owned aircraft is used on official business. Reimbursement should be in addition to the mileage allowance, as it is for privately owned automobiles.

Table 8. Operating Costs of Average General Aviation Aircraft, by Aircraft Type

	Piston						Turbine			
	Single-engine									
	1-3-place		4-place and over		Two-engine		Turboprop		Jet	
Operating Costs and Data	Annual	Hourly	Annual	Hourly	Annual	Hourly	Annual	Hourly	Annual	Hourly
Variable Costs										
Fuel	$ 450	$ 3.00	$ 930	$ 4.65	$ 3,234	$ 12.44	$ 19,908	$ 44.24	$ 52,700	$105.40
Oil	59	.39	88	.44	270	1.04	302	.67	650	1.30
Inspection	161	1.07	400	2.00	1,274	4.90	6,480	14.40	9,000	18.00
Maintenance	194	1.29	450	2.25	1,607	6.18	14,220	31.60	22,500	45.00
Reserve for Overhaul	315	2.10	864	4.32	2,179	8.38	14,832	32.96	23,300	46.60
Parking, Fees, Etc.	29	.19	88	.44	273	1.05	1,017	2.26	1,875	3.75
Spare Parts	-	-	16	.08	117	.45	9,626	21.39	25,550	51.10
Pilot Expense	-	-	50	.25	536	2.06	2,800	6.22	3,635	7.27
Total, Variable Costs	1,208	8.04	2,884	14.43	9,490	36.50	69,185	153.74	139,210	278.42
Fixed Costs										
Depreciation	$ 340	$ 2.27	$ 900	$ 4.50	$ 4,450	$ 17.12	$ 33,165	$ 73.70	$ 48,780	$ 97.56
Insurance	870	5.80	988	4.94	3,260	12.54	16,264	36.14	22,280	44.56
Storage	235	1.57	486	2.43	1,560	6.00	3,650	8.11	7,722	15.44
Crew Salary and Benefits	1/	1/	1,200	6.00	7,410	28.50	28,320	62.93	31,820	63.64
Miscellaneous	80	.53	292	1.46	1,030	3.96	6,020	13.38	8,540	17.08
Total, Fixed Costs	1,525	10.17	3,866	19.33	17,710	68.12	87,419	194.26	119,142	238.28
Total Costs	2,733	18.21	6,750	33.76	27,200	104.62	156,604	348.00	258,352	516.70
Total Cost Per--										
Aircraft-Mile	$.182		$.224		$.515		$1.180		$1.148	
Available Seat-Mile	.091		.056		.099		.084		.130	
Aircraft-Mile Variable Cost	.081		.095		.180		.521		.605	
Operating Data										
Utilization 2/	150		200		260		450		500	
Miles Flown	15,000		30,200		52,800		132,750		225,000	
Block Speed 3/	100		151		203		295		450	
Fuel Consumption 4/	6.8		10.6		28.3		125.0		300.0	
Passenger Seats	2		4		5.2		14		8.8	

1/ Pilot expenses for agricultural use aircraft would add a small amount for this item.
2/ Hours flown in year.
3/ Miles per hour.
4/ Gallons per hour.

ADJUSTED OPERATING COSTS - 1969

(Single-Engine, Piston Aircraft)

	1-3 Place Aircraft		4-Place and Over	
Item	Cost Per Year	Cost Per Hour*	Cost Per Year	Cost Per Hour*
Fuel	$450	$3.00	$930	$4.65
Oil	59	.39	88	.44
Inspection	161	1.07	400	2.00
Maintenance	194	1.29	450	2.25
Reserve for Overhall	315	2.10	864	4.32
Depreciation	340	2.27	900	4.50
Insurance	870	5.80	988	4.94
Miscellaneous	80	.53	292	1.46
TOTAL	$ 2,469	$16.45	$4,912	$24.56
Miles Per Year Cost Per Mile	15,000 $ 0.1646		30,200 $0.1626	
Miles Per Hour Cost Per Mile		100 $0.1645		151 $0.1626

*NOTE: Average utilization for 1-3 place aircraft is 150 hours per year; utilization for 4-place and over aircraft is 200 hours per year.

ERATING COSTS - 1973

(Single-Engine, Piston Aircraft)

Item	Cost Per Mile (1969)	% Change In CPI From 1969 to April 1973	Change in Cost Per Mile	Cost Per Mile Dec. 1973
1-3 Place	16.46¢	25.77%	4.24¢	20.70¢
4-Place and Over	16.26¢	25.77%	4.19¢	20.45¢

Mrs. COLLINS. What do you estimate the increase in cost to the Federal Government to be if the per diem allowance is increased to $30 per day and $35 per day, and if the mileage allowance were to go as high as 18 cents per mile?

Mr. ZECHMAN. The meals and lodging going from the current maximum per diem rate of $25 to $30 would increase Government travel costs $24 million per year. The major locality rate would add another $10 million. Therefore, the total additional cost would be $34 million.

If you set a $35 rate, travel costs would increase $47 million over the costs at the current $25 rate.

On the mileage, Madam Chairwoman, if we went to 18 cents it would have an impact of $22.8 million; 15 cents would be $11.4 million.

Mrs. COLLINS. Does the $47 million include the 10 high cities?

Mr. ZECHMAN. No, it does not. It assumes that 50 percent of travelers would be paid at the $35 maximum.

Mrs. COLLINS. What would the rate have on top of that?

Mr. ZECHMAN. We would have to compute that, but it would be less than the $10 million associated with the $30 per diem rate.

Mrs. COLLINS. That concludes my questioning.

Mr. Buchanan?

Mr. BUCHANAN. Thank you, Madam Chairperson.

I would only say that I support some change in this per diem along the lines that you suggest to the chairman as proposed. It seems to me a basic inequity——

Mr. ZECHMAN. It is, sir.

Mr. BUCHANAN. An inequity for people who are Federal employees to be paying out of their own personal salaries a portion of the expenses for doing their job. Those of us who serve in Congress do that regularly. I don't think it is right for us and I don't think it is right for other people in the Government.

Mr. ZECHMAN. We are always catching up. That is what it amounts to.

I wish we could develop a methodology and base it on that rather than talking actual dollars. I don't know if that is feasible, but I think it is something we should shoot for at some point.

Mr. BUCHANAN. At the present rate of inflation, unless something changes here, we are going to have to regularly adjust this almost on an annual basis to keep people who work in the Federal employ up with rising costs of lodging and travel in the country.

You don't cover the State Department, but I spent 3 months at the U.N. last fall and one this spring, and their per diems are as far behind as the rest of the Government in terms of what it actually costs to live in New York City.

Mr. ZECHMAN. Of course the locality rate will help to adjust that. In other words, we have the flexibility to adjust per diem rates up to $50. So that, if we wait another 4 or 5 years before the new travel legislation would be enacted, we would at least have that latitude for those cities where actual travel costs would fall over $30, but within the $30 to $50 range.

Mr. BUCHANAN. For whatever it is worth, I would point out that Birmingham, Ala., has the lowest cost of living and lodging of any city in its class other than Jacksonville, Fla.

Mrs. COLLINS. Mr. Hanrahan?

Mr. HANRAHAN. Well, I agree with John's thoughts. You said the last time they were adjusted was 1969?

Mr. ZECHMAN. 1969, yes.

Mr. HANRAHAN. Wouldn't it be wise to put some sort of—and I don't know whether this is legal or not—of escalator clause into the bill so you wouldn't have to be coming back to Congress every year to have a new law passed?

Mr. ZECHMAN. It could conceivably be tied to cost of living.

Mr. HANRAHAN. That is what I am thinking of. Congressman Buchanan was alluding to it, I think. I personally experienced this 3 years ago when I was Midwest Regional Commissioner of Education, and went to a conference at Kansas City, Mo., and tried to live on $25 a day. That was almost an impossibility. So, I certainly feel it is justified.

Mr. ZECHMAN. Yes.

Mr. HANRAHAN. No further questions.

Mrs. COLLINS. Mr. Parris?

Mr. PARRIS. Now, Mr. Zechman, on subsection (c) of section 5702 on page 2 of the proposed bill (H.R. 15903), it sets out that the Administrator may prescribe conditions under which additional travel reimbursements can be made, not to exceed $50 per day for each day unless unusual circumstances occur—that sort of thing. Do you see that?

Mr. ZECHMAN. Yes.

Mr. PARRIS. Now, as I read the information that has been provided to us, the current cost estimate for travel and subsistence in the city of New York is $48.50 a day.

In view of some of those facts, would you think that the $50 a day might not be minimal? Should that figure be perhaps adjusted to reflect a more realistic situation?

Mr. ZECHMAN. Yes, we would support a higher figure. I don't have a specific number off hand. Perhaps $60 would be a fair figure to set as a statutory maximum. But the administration would support it.

Mr. PARRIS. So, if the committee were to take action to increase that authorized maximum to $60, the administration would support it?

Mr. ZECHMAN. Yes.

Mr. PARRIS. Just one other question, Mr. Zechman.

Several other gentlemen will testify shortly who have indicated or suggested strongly the inclusion of a so-called cost-of-living adjustment. The suggestion, for instance, is made on a per diem escalator, $1 increments and that sort of thing, with 3 percent approximately as the base rate, based on Bureau of Labor Statistics or whatever.

What would be your position in regard to that?

Mr. ZECHMAN. We would support that.

Mr. PARRIS. I think that is very important and consistent with the observation Mr. Buchanan made earlier that with the given inflationary rate (and most experts tend to believe it is not a temporary problem) we are going to be constantly faced with the problem of being behind the cycle if we don't build in something that will recognize these inequities.

Mr. ZECHMAN. I would suggest that we also consider the mileage costs in addition.

Mr. PARRIS. Well, that would have to be presumably on the same basis, but it would be automatic then very much like the present annuity situation?

Mr. ZECHMAN. Yes; I think that is an excellent suggestion.

Mr. PARRIS. That would meet with your support?

Mr. ZECHMAN. Yes.

Mr. PARRIS. Thank you.

Mrs. COLLINS. Thank you, Mr. Zechman.

Would Mr. Dennis Garrison and Mr. Carl Sadler please come forward?

I would appreciate it if those witnesses who are going to submit statements do so for the record and each of them brief the subcommittee on the position of his or her particular group in 5 minutes each. These will be brought up in alphabetical order according to the names of their associations.

I just want to say that, being a woman, we thought it was best to do it this way in all fairness to everybody. As long as I am sitting here as chairperson of this subcommittee, I do want to go on record as saying that there is nothing discriminatory as to the order of calling witnesses.

First, we have Mr. Dennis Garrison, executive vice president, American Federation of Government Employees, and accompanied by Mr. Carl K. Sadler, legislative representative. You may give your statement.

STATEMENT OF DENNIS GARRISON, EXECUTIVE VICE PRESIDENT, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES; ACCOMPANIED BY CARL K. SADLER, LEGISLATIVE REPRESENTATIVE

Mr. GARRISON. Madam Chairperson and members of the committee and staff, on behalf of the American Federation of Government Employees, representing over 650,000 Federal employees in exclusive recognition units, I wish to express appreciation to the subcommittee and its distinguished chairman, Representative Brooks for scheduling hearings on the subject of per diem and mileage expenses of Federal employees.

I am happy to have our legislative director, Carl Sadler, with me today. Certainly, he is the one that oversees the legislative programs. AFGE is very proud to have Carl Sadler on board.

I do have a summary statement and I will submit my summary. I have five points here.

One, the normal per diem allowance be set at $40;

Two, for exceptional situations as provided in section 5702(c) of chapter 57, title 5, United States Code, the per diem rate be set at $60;

Three, the supplemental allowance for each day of travel outside the continental United States be adjusted from $18 to $35;

Four, mileage allowance for privately owned automobiles be increased from 12 cents to 20 cents per mile and for privately owned motorcycles from 8 cents to 12 cents per mile; and

Five, to avoid future periodic upward revisions on per diem allowances of Federal employees that the per diem rates established by this act shall automatically be adjusted upwards by increments of $1 whenever the Civil Service Commission, pursuant to section 8340 of title 5, United States Code, orders cost of living adjustments of annuities.

That is my statement, Madam Chairperson.

[Mr. Webber's prepared statement follows:]

PREPARED STATEMENT OF CLYDE M. WEBBER, NATIONAL PRESIDENT, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

On behalf of the American Federation of Government Employees representing over 650,000 Federal employees in exclusive recognition units, I wish to express appreciation to the Subcommittee and its distinguished Chairman, Representative Brooks, for scheduling hearings on the subject of per diem and mileage expenses of Federal employees.

The obvious reason for these Hearings is the inadequacy of rates of Federal per diem and travel allowances in the light of rampant inflation. Because of this, the work of the Federal government is handicapped by the increasing reluctance of many Federal employees to undertake official travel requiring their personal presence outside their official stations of duty.

As you know, one of the burdens in the conduct of official business is the frequent requirement to attend meetings away from one's home installation. For many, attendance of these meetings is onerous in any case, even if the costs of hotels, meals and mileage are properly reimbursed. In most instances today the per diem and travel allowances do not cover expenses to Federal employees. For a long time now they have sought to meet this problem by paying the extra costs from their own salaries.

The continuing inflation of prices, both in the United States and abroad, has aggravated an already difficult situation. Furthermore, the depreciation and fluctuation of the American dollar on world markets have placed another financial strain on American officials traveling abroad on the Government's business.

We believe it is unwise fiscal policy for the Federal Government to create a situation where Federal officials and employees shun the expeditious discharge of those duties requiring travel solely because they are penalized by inadequate per diem and mileage allowances.

Our organization is most grateful to Representative Brooks for his keen awareness of the problems involved. Very early this year, Chairman Brooks indicated to us that he planned to hold these hearings in early summer and he sympathetically reviewed this issue with us. In fact, we are especially grateful for the consideration with which he discussed the specific items which our union had prepared as a draft Bill for eventual consideration by this Subcommittee.

On the basis of our discussions and the information we have had the privilege to receive from the most knowledgeable people, we believe there has now developed a consensus incorporating the main elements of the drafts we had previously prepared.

We recommend that the normal maximum per diem allowance should be set at $40 because of the rate of current inflation and all indications that it will accelerate. Banks are currently charging their prime borrowers 12 percent interest, for example. Consequently, in most financial circles it is expected that inflation will not be arrested and will not abate.

For exceptional situations, such as those for which provision is made in Section 5702(c) of chapter 57 of Title 5, we recommend that the rate be $60. Further we urge that the supplemental authorization for maximum per diem allowance for each day of travel outside the continental United States be set at $35 instead of the present $18.

PROVISION OF AUTOMATIC ESCALATOR

The present difficult situation in the matter of per diem has arisen from the circumstance that the current statute makes no provision for an automatic escalator in per diem maximum rates. We believe it would be most useful if such an automatic escalator could be provided. We suggest that the language for such an automatic escalator could read as follows:

"The Per Diem rates established by this Act shall be automatically adjusted upwards by increments of '$1.00' whenever the Civil Service Commission, pursuant to Section 8340 of Title 5, orders the Cost of Living adjustment of annuities."

We believe the simplest way of achieving this escalator is to tie it to the Cost of Living adjustments for Federal annuitants based on Bureau of Labor Statistics data, and to set it at the rate of $1.00 increments. As you know, the cost of living adjustments for annuitants now requires an increase in the Bureau of Labor Statistics data of at least 3 percent maintained at that level for at least three additional months. To overcome the time lag created by the three-month waiting period, the formula then provides an additional 1 percent on top of the highest

rate established in the three month base period. Consequently, the Federal annuities are adjusted a minimum of 4 percent, often more. However, the $1.00 increment we are proposing is slightly less than three percent of $40 and would remain fractionally below 3 percent for the next several automatic escalator adjustments. Consequently, we believe that our escalator proposal is fiscally conservative and also would remain practical for many years.

MILEAGE AND RATE ALLOWANCES

The increased costs in gasoline, diesel fuel and in automobile repairs and in automobile maintenance costs have been phenomenal as a result both of the energy crisis and efforts to control exhaust pollution. The Federal rate of mileage allowances are now totally unrealistic. For this reason, we should like to propose that instead of 8 cents a mile for the use of privately-owned motorcycles, the Congress authorize 12 cents; and instead of 12 cents for the use of privately-owned automobiles or airplanes, we ask Congress to authorize 20 cents. We realize that a recent survey shows that it already costs 14.5 cents to operate private automobiles. But that survey does not include increases in prices of automobiles, parts and costs of labor for repair and we believe it significantly understates the actual expenses.

AUTOMATIC ESCALATOR FOR MILEAGE ALLOWANCES

An escalator procedure to increase mileage allowances based upon a quarterly survey by the Comptroller General of the United States should also be provided. We submit this proposal for the adjustment of mileage and related allowances because it would establish an automatic mechanism permitting proper changes in allowances without the need for frequent review by Congress. We do this as reflecting in this area the same philosophy with which we are proposing an automatic escalator in per diem allowances timed to take place concurrently with the cost of living adjustments in Federal annuities.

SUMMARY AND CONCLUSION

In summary, we enthusiastically welcome the decision of the Subcommittee to hold hearings on allowance increases for per diem and mileage expenses of Federal employees. We recommend, in light of rampant inflation, the installation of a maximum of $40 in the continental United States with an exceptional allowance of $60 in certain situations. Taking into account the depreciation of the dollar in world markets, we recommend an overseas supplemental of $35 in place of the present $18.

We earnestly and sincerely urge the provision of a per diem escalator of $1.00 (approximately 3 percent of the base rate), timed to the cost of living escalator provision of Federal annuities. Finally, we recommend higher mileage allowances and submit to you our proposed automatic escalator based on quarterly surveys by the Comptroller General of the United States.

Mr. Chairman, we are most grateful to you for discussing this subject with us throughout this year and for inviting us to testify at this hearing. We assure you of our fullest cooperation in seeking to bring about this essential legislative reform in allowance for per diem and mileage expenses of Federal employees.

Mrs. COLLINS. I thank you. I have no questions. Mr. Buchanan?

Mr. BUCHANAN. We appreciate your testimony.

I, for one, am determined that we shall create a situation in which the people you represent don't go in the hole, that they not pay out of their own pockets for the expenses connected with the work they do for the Government. So whatever that is required, I hope the subcommittee can arrive at it and make sure that doesn't happen.

Mr. SADLER. We appreciate that.

Mrs. COLLINS. Mr. Hanrahan?

Mr. HANRAHAN. Thank you for testifying. I see that you have a position here on the automatic escalator clause for both per diem and mileage, which Congressman Parris had alluded to and I think all of us have. So we hope that that can be worked in the legislation. Thank you.

Mr. GARRISON. We appreciate that.

Mrs. COLLINS. Mr. Parris?

Mr. PARRIS. Just to remind you gentleman that roughly one-third of the people in my district are employed by the Federal Government, so I have some modest passing interest.

Mr. SADLER. We appreciate that, Congressman.

Mrs. COLLINS. Next we have Mr. John A. McCart, Government Employes Council, AFL-CIO.

STATEMENT OF JOHN A. McCART, OPERATIONS DIRECTOR, GOVERNMENT EMPLOYES COUNCIL, AFL-CIO

Mr. McCART. Since we supplied the subcommittee with a copy of our prepared statement, Madam Chairperson, I will proceed to summarize the brief statement, if you wish.

From what has transpired in the last 15 minutes, it is rather obvious that all of us, regardless of the constituency we represent, are talking about the same thing. So I don't see any point in belaboring the situation

The information in our statement indicates very clearly that lodging and meal costs away from home have risen very dramatically in the last 5 years, since the enactment of the 1969 law revising per diem allowances. We find some very reputable companies producing statistics that indicate in nine cities for example, the rates range from more than $21 a day in Atlanta, to more than $26 a day in New Orleans. This is just rooms.

If you start with a basic $25 per diem, which includes tips and telegrams and some other incidental expenses, it is very readily apparent that Federal employees are far behind the parade.

We then offer some Bureau of Labor statistics information on food away from home and gasoline and oil that tells basically the same story.

In relation to gasoline and oil, it raises the question about the last time the mileage allowance was adjusted, which was not in 1969. That occurred in 1961, which is 13 years ago.

So, with the dramatic changes that have occurred in this area just in the past few months, you can readily recognize the problem confronting Federal employees.

Our statement proposes mechanisms for placing these rate adjustments on a periodic basis. We hope the committee will devote serious consideration to this method of avoiding the necessity of going through the legislative processes each time, but at the same time permitting Congress to retain oversight.

Finally, we think it is important, Madam Chairperson, that some new attitudes and approaches be developed in the executive branch to provide more uniform application of the travel policies to employees. We find some inconsistencies and variations.

We find it very difficult for the 30 unions we represent to have meaningful input into the unified application of these travel policies. So we recommend that the executive branch address itself to this and to become more available to the representatives of the employees in trying to rectify the inconsistencies that exist.

Madam Chairperson, that concludes our presentation. I want to express the thanks of our council to you and your subcommittee colleagues and also to the chairman for introducing H.R. 15903. I haven't seen it yet, but I know that it has been introduced.

Mrs. COLLINS. I have no questions. We are faced with the fact that we are going to be leaving in a very short time and I hope we get to the other witnesses. However, the members might have some questions of Mr. McCart.

Mr. McCart's entire statement, of course, will go into the record.

[Mr. McCart's prepared statement follows:]

PREPARED STATEMENT OF JOHN A. MCCART, OPERATIONS DIRECTOR, GOVERNMENT EMPLOYES COUNCIL, AFL-CIO

Mr. Chairman and members of the subcommittee, the council and its 30 affiliated AFL-CIO unions join in urging early action on legislation increasing the per diem and mileage allowances currently available to Federal employes who are required to travel on official business. The unions associated with our organization represent more than 1 million classified, wage grade, and postal employes.

We are deeply grateful to the chairman of the subcommittee for arranging this hearing.

The council wishes to convey its appreciation to members who have introduced bills adjusting existing travel allowances, including Representatives Joel T. Broyhill (H.R. 10539), Jerome R. Waldie (H.R. 14000), and G. William Whitehurst (H.R. 15154).

The maximum per diem allowance for normal official travel was fixed at $25 by Congress in late 1969. There was no adjustment at that time in the reimbursement for use of employes' automobiles for authorized work. That rate was established in August, 1961, at 12¢ a mile.

During the intervening years, the cost of hotel accommodations, restaurant meals, and automobile maintenance has risen sharply. Inflation has caused these items to escalate inexorably and steeply. The result is that Federal employes are unable to maintain themselves in a reasonable fashion on the present $25 maximum daily allowance or to operate their vehicles efficiently. Consequently, they are experiencing financial loss because the allowances have not kept pace with ever increasing costs. For these reasons, it is highly desirable that Congress provide legislative relief.

Our research demonstrates very clearly that if these employes do not secure relief, they will continue to suffer financially in many cases, and will be required to personally defray a larger portion of these legitimate work expenses with the passage of time.

One of the recognized accounting firms, which deals with hotel operations, is Laventhol, Krestein, Horwath and Horwath. Their report for 1973—the latest available—discloses that room rates in motels increased by 19 percent between 1970 and 1973. The average daily rate for rooms in hotels was $19.70.

Using data compiled by that firm and another reputable company in the same field, Harris, Kerr, Forster and Company, we find these average room rates [1] in representative cities:

Atlanta	$21.13	New Orleans	26.34
Boston	21.48	New York City	24.25
Chicago	25.77	San Francisco	22.64
Los Angeles	22.04	Washington, D.C.	24.87

The current per diem allowance covers other items in addition to lodging and meals. It includes tips, telegrams, telephone calls, laundry and dry cleaning, and certain transportation costs.

Bureau of Labor Statistics maintains information on meals away from home, gasoline and motor oil, laundry and dry cleaning costs as part of its Consumer Price Index functions. The base year (100) is 1967. These are the increases registered by BLS in March, 1974, for the elements noted above: Food Away From Home, 153.7; Gasoline and Oil, 157.4; Laundry, 137.7; Dry Cleaning, 130.7.

[1] Source: American Hotel and Motel Association.

From this information, it becomes obvious that a substantial adjustment in per diem allowance is justified. We recommend that the maximum figure be fixed at $40.

It is interesting to note that in the three month period ending February, 1974, the cost of gasoline and oil jumped 86.2 percent, seasonally adjusted on an annual basis, according to the Bureau of Labor Statistics review.

Our inquiry to the Federal Energy Office elicited the fact that service stations were authorized to increase the price of regular gasoline by 7.1 cents per gallon from January to April, 1974.

In January of this year the General Services Administration completed a study of the cost of operating privately owned automobiles. Based on the Consumer Price Index for December, 1973, GSA found that the expense of maintaining a standard size automobile was 14.5 cents a mile. Recalling the increase in gasoline prices—7 cents between January and April, 1974—and the sharp upward trend of automobile maintenance costs, a maximum allowance of 20 cents per mile is completely realistic.

Earlier in this statement we alluded to the length of time elapsing between Congressional consideration of travel allowances—1969 for per diem, 1961 for mileage. Because of the economic fluctuations which have occurred since those years, the Council has reached the conclusion that it would be wise for Congress to adopt mechanisms which will permit periodic adjustments in the per diem and mileage rates, if the economic factors substantiate such changes. At the same time Congress may desire to maintain careful oversight of these new mechanisms, particularly in the first years of their operation.

As you know, the Department of Labor's Bureau of Labor Statistics has specialized for many years in the accumulation of cost data and development of indices reflecting changes in the various parts of the economy. The figures cited above indicate that BLS currently collects data on restaurant meals and automobile costs to construct its Consumer Price Index.

Ample precedent exists for using the Index to evaluate changes in payments to individuals under statutes affecting Federal workers. In 1965, Congress approved legislation relating increases in annuities for retired Federal employes and their survivors to changes in the Index. The following year, legislation was enacted using the same yardstick in adjusting benefits for those on the permanent rolls under the Federal Employees' Compensation Act, which covers employes incurring job related injuries and diseases.

Therefore, the Council recommends that in the future the statutory per diem allowance be increased by $1 each time the Consumer Price Index causes a cost of living adjustment in annuities of retired Federal workers and those on the compensation rolls.

With the data available through the Department of Transportation, Bureau of Labor Statistics, and other public and private organizations, it should not be difficult to accumulate sufficient information to permit adjustment of mileage allowances at predictable intervals. The General Services Administration, for example, could be empowered to undertake the necessary studies with authority to revise the mileage rates every six months. Both the studies and the resulting allowance changes should be transmitted to Congress.

One final observation is in order. Through the years, Federal workers subject to official travel in agencies have experienced a wide variety of practices with respect to the application of the maximum per diem and mileage rates. There has been a notable lack of consistency in applying the statutory norms. Unions associated with the GEC have found that agencies fail to recognize the need for insuring equity among the employes involved. We believe it would be highly salutary for the Subcommittee to address itself to this problem in a bill it recommends or in the committee report accompanying a bill approved by the full Committee. The objective could be accomplished by simply requiring the agency responsible for fixing the travel allowances to consult with unions representing the largest number of Federal workers affected by the legislation. These conferences would include the methods of undertaking the necessary studies, evaluating their results, and development of uniform application of the travel policy.

Mr. Chairman, the Government Employes Council believes that Congress intends to see that Federal employes who find it necessary to engage in official travel will not be required to bear any share of justified expenses. We recommend strongly that the Subcommittee proceed promptly to report favorably a bill which will correct the deficiencies in the present situation.

Mrs. COLLINS. Mr. Buchanan?

Mr. BUCHANAN. No questions. We will consider your proposal.

Mr. MCCART. Thank you very much.

Mrs. COLLINS. Mr. Parris?

Mr. PARRIS. No, thanks.

Mrs. COLLINS. Well, we will call the representative of the National Federation of Federal Employees, Mr. Irving I. Geller, who is general counsel.

STATEMENT OF IRVING I. GELLER, GENERAL COUNSEL, NATIONAL FEDERATION OF FEDERAL EMPLOYEES

Mr. GELLER. Madam Chairperson and members of the committee, on behalf of the National Federation of Federal Employees we sincerely appreciate the opportunity of testifying about this matter before this committee.

And recognizing the admonishment about time, I shall; with your permission, submit our statement for the record, and merely make some summary comments, which I hope will not be repetitious of prior speakers.

Our organization, of course, is very much concerned not only with those people who occasionally travel, but we represent many employees who are frequently in almost a continuing travel status. In assessing the propriety of an increase in per diem amounts, we hope that the committee will consider things like—and these might be intangibles—telephone calls back home, the cost of cleaning and drycleaning that one ordinarily might incur on a very short visit.

We, of course, recently were apprised of the bill that Congressman Brooks introduced, and we are very appreciative of this bill and especially the rates that are set forth in that bill increasing the maximums to 18 cents per mile and $35, and $60 where there are unusual circumstances for the reimbursement of per diem rates.

We are having much concern that the Federal employee organizations have an opportunity to have a continuing input in determining what per diem rates and what mileage rates will be determined appropriate.

We hope that the committee arrangement, the institutionalized committee arrangement that we recommended in our testimony, will be adopted.

Thank you for the opportunity to speak to you.

[Mr. Geller's prepared statement follows:]

PREPARED STATEMENT OF IRVING I. GELLER, GENERAL COUNSEL, NATIONAL FEDERATION OF FEDERAL EMPLOYEES

Mr. Chairman and members of the subcommittee, I am Irving I. Geller, general counsel of the National Federation of Federal Employees. The NFFE is the largest, independent labor organization in the Federal sector. We represent approximately 120,000 Federal employees both in this country and abroad. I appreciate the opportunity of appearing here today to testify in behalf of a bill which would increase per diem and mileage allowances for Federal employees.

We previously testified on S. 3341, the Senate bill which would increase per diem expenses from $25 to $35 per day and increase the mileage rate for the use of a privately owned vehicle used on official business from 12¢ to 14.5¢ per mile.

There appears to be unanimity among all of the parties who are concerned with the subject of per diem expenses and mileage regarding the need for an increase.

The significant question now before this Subcommittee is the question of the amount and whether it would be useful to set up machinery that would automatically update and reflect as accurately as possible, on a recurring basis, the appropriate per diem amount as well as the mileage rate.

We are especially interested in the provisions in S. 3341 which direct the Comptroller General to conduct a continuous study on the actual cost experienced by an employee when he uses his own vehicle for Government purposes. The results of this study are compiled on a quarterly basis and sent to the President or his designee who must then adjust the mileage fees paid to Federal employees.

Mr. Chairman, we think this procedure is a step in the right direction. However, we suggest that the provision be amended to include the per diem allowances paid Federal employees. Specifically, we propose that the Comptroller General also be directed to conduct a study on the actual cost an employee experiences for living expenses while in a travel status for the government. The procedure would allow for adjustment to this allowance on an annual basis.

While we desire the placing of this responsibility within the General Accounting Office, we think that policy and procedure for such provision should include the specific opportunity for employee organizations to furnish to the General Accounting Office the views and position of the organized employees. There are now pending several pieces of major legislation which would establish labor relations in the Federal government on a statutory basis. These bills all vary in scope. However, all greatly expand the scope of bargaining. Employees want and deserve a voice in the matters that affect them. We propose, therefore, that in conjunction with pending bills such as H.R. 10700, which provides for a labor-management program for Federal employees, that a bill comparable of S. 3341 be amended to provide a mechanism whereby the unions are accorded the opportunity of submitting data to the Comptroller General and having meaningful discussions on a regular basis. Prior to the submission of recommendations to the President on the data and conclusions that should be included in a report and recommendation to the President concerning per diem and mileage allowances, the employee organizations shall indicate their agreement or disagreement with the report and recommendation.

A committee should be established comprised of membership having equal representation from management and the employee organizations, with a key member of the General Accounting Office serving as Chairman.

Utilizing any yardstick, the increases set forth in S. 3341 are modest and amply justified based on a survey of hotel and motel costs as well as the ever increasing cost of operating a motor vehicle. The suggested procedure for studying these ever escalating costs and making recommendations for changes to the President or his designee as suggested in S. 3341, as further augmented by an institutionalized employee organization-management committee functioning within the General Accounting Office, would provide a systematic and fair method for compensating Federal employees who are obliged to travel.

Mr. Chairman, we especially want to point out our concern for those Federal employees who are obliged to spend considerable time in a travel status while performing their Federal duties. This group incurs special expenses that are not contemplated in the typical per diem allowance and they include such items as telephone calls back home to advise the family of their whereabouts or to receive calls from the family on matters that are not ordinarily considered in estimating the per diem allowance. Further, employees functioning in extended travel circumstances are required to expend unusual payments for laundry and dry cleaning that they would not incur at home. There are a whole variety of disadvantages and expenses falling within this category and care should be taken in setting the per diem amount to include these expenses as well as the cost of lodging and meals.

One of the frequent problems arising in connection with travel is the opportunity for employees to utilize their privately owned vehicle rather than a GSA car. Much has been made of the economy arising from the use of GSA vehicles. However, this is highly debatable and when measured against the inconvenience of an employee traveling in a remote area, the advantage to the employee in utilizing a privately owned vehicle is apparent. An employee should not be obliged to function with less transportation at his disposal after hours or on weekends than he would have when at home or at least when he is not in a travel status. The use of a privately owned vehicle permits an employee greater freedom after hours and on weekends while in a travel status.

There has been consideration given to utilizing the Department of Transportation or the GSA in lieu of the Comptroller General in serving as the vehicle for reports and recommendations concerning expenses and mileage allowances within the Federal Service. We believe that the issue is basically one of financial study and that the GAO is charged with an audit responsibility in this area which could easily be assigned initially in developing the financial costs appropriate for the establishment of per diem and mileage allowance. Of course, we are more impressed with the experience and independence of the Comptroller General and the neutrality position it follows.

In sum, we strongly recommend the prompt passage of a bill which would raise the per diem allowance from $25 to $35 and the mileage rate from 12¢ to 14.5¢ to meet an urgent need for relief. Further, we believe that the establishment of a per diem and mileage allowance committee, equipped to issue reports and make recommendations to the President or his designee for the establishment of periodic adjustments to these allowances and rates on an institutionalized basis, is equally compelling.

We hope that this Committee will take the lead in the introduction of necessary legislation modeled along the lines of the Senate bill and the recommendations made for amendment as previously described. We would be happy to answer any questions concerning our statements.

Mrs. COLLINS. I have no questions. Do either of you?

That being the case, we thank you, Mr. Geller.

We wonder if Mrs. Mary Gureau, director of legislation, National Treasury Employees Union, is here? She is accompanied by Mr. Tobias.

STATEMENT OF MARY C. GUREAU, DIRECTOR OF LEGISLATION, NATIONAL TREASURY EMPLOYEES UNION

Mrs. GUREAU. Mr. Tobias is not here. I will be extremely brief.

I do want to say it is a pleasure to come before a committee chaired by a woman. I wanted to tell you what an interesting day I have had regarding other legislation that you have considered. I am a history major, so I enjoyed that; and I am an honorary princess in the Blackfeet Indian Tribe, so I hope you pass that bill; and I am a former superintendent of schools, so I had a lot of sympathy with Mr. Hanrahan. Finally, my father and mother were born in Illinois.

Now, outside of that, I want to say that we hope you will read the NTEU statement. We would like the opportunity of filing a statement on Mr. Brooks' bill, H.R. 15903. I would think that we would be generally in support of most of it. We do think the per diem should be at least $35 a day. We are very eager that the employee unions be considered as part of the process of developing the statistics. We have no confidence whatsoever in GSA.

We have been unable to find out what they base their present statements on. The present law allowed them to go to 12 cents long before they did. They hung on that very long after it was permissible to raise it to that amount. We believe that it is important that GAO and Transportation Department and Department of Defense and the Government employees' unions be involved in determining what the factors are.

We would really prefer that the law spell out what the factors are that should constitute the formula for determining the mileage, because it is too vague the way it is, and as GSA demonstrated, they couldn't tell you at what weight in the formula they put gas and oil on, because they don't know.

I frankly think OMB tells GSA how much they can spend, and then they adjust the figures to fit it. We think the factors should be spelled out in the law.

That is all I have to say, except that we want something done.

Mrs. COLLINS. We appreciate your statement. It will go into the record.

[Mrs. Gureau's prepared statement follows:]

PREPARED STATEMENT OF MARY C. GUREAU, DIRECTOR OF LEGISLATION, NATIONAL TREASURY EMPLOYEES UNION

My name is Mary Condon Gureau, director of legislation for the National Treasury Employees Union. I am representing Vincent L. Connery, president of the National Treasury Employees Union, formerly the National Association of Internal Revenue Employees. Our union has been elected the exclusive representative of more than 60,000 Treasury Department employees, including 90 percent of the employees of the Internal Revenue Service who are eligible to be represented by a union.

We welcome this opportunity to comment on proposals before the subcommittee which are designed to remedy one of the most pressing problems faced today by countless Federal employees who must travel or use their own automobiles as a regular part of their jobs. Because of the grossly inadequate mileage and per diem allowances, tens of thousands of Federal employees are being forced to subsidize the government. They must, in effect, use their personal funds to supplement costs which should be completely borne by the Federal government.

Employees of the Treasury Department, like those in other Federal agencies, are required by the nature of their work to travel. Thousands of these men and women who are employed by the Internal Revenue Service, Bureau of Alcohol, Tobacco, and Firearms, and the U.S. Customs Service are assigned away from their home office for periods of several days, weeks, or even months to conduct audits, investigations, and other necessary duties. Others, from time to time, are called in to regional and national office meetings held in cities far from their work sites. In each instance, these employees must stay in hotels or motels and, of course, incur lodging and food expenses which are far greater than the present reimbursement rates.

Even when overnight travel is not required of them, these same employees, and scores of others, must use their own automobiles to conduct vital government business because of poor public transportation and the failure of the General Services Administration to provide sufficient government vehicles. In the Collection and Audit Divisions of the Internal Revenue Service alone, there are more than 20,000 employees who reqularly use their own cars "for the convenience of the government."

Most of these employees travel extensively, many more than 13,000 miles per year on government business. When the present mileage allowance of 12 cents is compared to the actual cost of operating an automobile, which a recent Department of Transportation study concluded was 15.9 cents per mile, one can readily see that these employees are losing 4 cents for each and every mile they drive on behalf of the government. For those employees who drive their own cars on government business more than 13,000 miles per year, the annual cost to the employee is at least $520.00.

The employees of the Federal government should not be forced to bear a significant amount of the expense necessitated by their travel. Strictly speaking, they are not obligated to use their own cars on government business; however, if they did not, the entire enforcement effort would collapse for lack of transportation. To further penalize these officers by requiring them to operate their own vehicles at a substandard rate of reimbursement is grossly unfair.

Therefore, we strongly urge the Congress to increase the mileage allowance to the going rate according to government studies at the time of enactment. The most recent study by the Department of Transportation shows that the cost has risen to 15.9 cents per mile. In view of the rapidly escalating costs of operating a vehicle, the legislation should provide for a reimbursement rate that is commensurate with operating costs at the time the bill is signed into law.

We further believe there should be a continuing study of mileage costs and that the rates should be adjusted quarterly based upon GAO cost reports. This then would enable Federal employees to be reimbursed on a continuing basis, under a cost operation rate that has been fairly determined, thereby eliminating the necessity of legislating in this area every few months.

We are convinced that the GAO, rather than the General Services Administration which is administering the present program, should conduct the cost

studies and establish the rates. We have more confidence in the Congressional agency than we do in the General Services Administration in the Executive branch of the Federal government, which has demonstrated little concern for Federal employees in all matters that involve increased expenditures.

For months, while the costs of operating an automobile were escalating rapidly, the GSA clung to the provenly outdated 11-cent rate even though the statute authorized 12-cent allowance. Only after tremendous pressure from our union, and many others, was brought to bear on this agency did it finally relent on February 8th of this year, and increase the allowance to the 12-cent statutory maximum. In the meantime, tens of thousands of Federal employees continued to lose a considerable amount of money which they should never have been forced to pay out of their own pockets.

Even though the GSA did increase the allowance in February, the fact is that its own studies showed that the cost of operating an automobile was actually 14.5 cents per mile as of the end of 1973. It would seem reasonable to expect that GSA would have proposed legislation to increase the mileage rate at least six months ago, but such has not been the case. To our knowledge, not until Congressional hearings were scheduled did GSA prepare anything to relieve Federal employees from the burden of inadequate mileage reimbursement rates. For these and many other reasons, the responsibility for determining the mileage rates should not be left to the unbridled discretion of GSA.

We urge that those responsible for establishing the rates be required to consult with experts in the field and with government employee unions before the rates are set. We believe that the legislation should enumerate the factors that must be included in the rate determining process. Only by such specific directions from the Congress can a fair determination be achieved.

Turning now to the matter of per diem, everyone knows that a $25 allowance is grossly inadequate. For example, such rates of reimbursement in the local area are absurd if fairness and equity are the criteria. Commercial hotels in the area such as the Roger Smith charge $20 to $31 per day; the Statler Hilton charges $26 to $38 per day; the Ramada Downtown charges $24 to $28 per day; and the Holiday Inn (Downtown) charges $22 to $26 per day.

Other major cities are the same or even higher. To mention but a few: In Atlanta—the Marriott charges $27 to $36 per day; the Hilton charges $19 to $24 per day; the Sheraton charges $30 and up. In St. Louis: the Marriott—$25 to $32 per day; the Hilton—$20 to $24 per day; the Sheraton—$20 to $24 per day. In Boston: the Marriott—$28 to $32 per day; the Hilton—$20 to $24 per day; the Sheraton—$23 to $33 per day. In Los Angeles: the Hilton—$24 to $35 per day; the Sheraton—$28 to $30 per day.

We are not advocating that employees should stay in top luxury hotels, we are merely quoting standard commercial hotel rates. The fact of the matter is that medium-priced hotels and motels now charge rates ranging from $20.00 to $40.00 per day. It must be kept in mind that employees must also pay for their meals out of the per diem allowance. As we all know, meal prices are also escalating daily. The result is that Federal employees who are required to travel are considerably "out-of-pocket" because of the restrictive $25 per diem allowance. And while the employee travels, his family expenses continue at the same rate as if he were at home.

A summary of single room costs for medium-priced hotels in selected cities is attached to this statement. In smaller cities, rates are likely to be lower, but it is to the metropolitan areas that most travel is scheduled. The vast majority of the Federal workforce is located in and around major metropolitan cities, and it is to these areas, where the hotel rates are the highest, that most Federal employees must travel on government business.

Therefore, we strongly urge the Congress to raise the per diem allowance to at least $35.00 within the continental United States, as well as to increase the per diem rate from $40.00 to $50.00 for expenses under unusual circumstances. In fact, we believe that in certain high cost cities such as New York, San Francisco, Chicago, Dallas, and others, the rate should be established by the Comptroller General based on studies conducted by the GAO. The same procedure as proposed for determining per diem allowances and, in turn, certain high cost areas should be identified and per diem rates in those cities adjusted accordingly.

On behalf of the National Treasury Employees Union, I appreciate this opportunity to share our views with the Congress. If there are any questions, I will be happy to answer them at this time.

SINGLE ROOM RATES IN SELECTED CITIES (DOWNTOWN AREAS)

	Marriott	Hilton	Sharaton
Atlanta	$27 to $36	$19 to $24	$30 and up.
Dallas	$19 to $27	$19 to $27	$22 to $32.
St. Louis	$25 to $32	$20 to $24	$22 to $24.
Boston	$28 to $32	$24 to $32	$23 to $33.
Chicago	$31 to $39	$26 to $53	$29 to $34.
Fort Wayna	$19 to $27	$17 to $21	$16 to $21.
Louisvilla	$17.50 to $18.50		$12.50 to $15.50.
Los Angalas		$24 to $35	$28 to $30.
Saattla		$21 to $26	$20 to $22.

HOTEL RATES IN WASHINGTON, O.C.—THESE HOTELS ARE MEMBERS OF THE ASSOCIATION OF WASHINGTON AND THE AMERICAN HOTEL ANO MOTEL ASSOCIATION

Hotel and address	Phone	Rooms single occupancy	Double room 2 persons	Twin room 2 persons	Suites: Parlor	Suites: Parlor 2 bedrooms
Ambassador Hotel, 14th and K Sts., NW	628-8510	$17.50-22.50	$21.50-32.50	$21.50-32.50	$32.50	$51.00
Anthony House, 1823 L St., NW	223-4320	26.00	30.00	30.00		
Bellevue, 15 E St., NW	638-0900	10.00-14.00	16.00-18.00	16.00-18.00	24.00	
Brighton, 2123 California St., NW	667-4430	15.00	19.00	19.00	22.00-40 00	
Burlington, 1120 Vermont Ave., NW	785-2222	19.50-22.00	22.00-26.50	22.00-26.50	23.00-33.00	
Claridge, 820 Connecticut Ave., NW	783-5240	15.00-18.00	18.00-22.00	18.00-22.00	22.00-35.00	
Commodore, North Capitol at F St.	628-2300	15.00	21.00	21.00		
Dupont Plaza, 1500 New Hampshire Ave., NW	483-6000	23.00 31.00	30.00-40.00	30.00-40.00	60.00-90.00	85.00
Ebbit, 10th and H Sts. NW	626-5034	12.00-14.00	16.00-18.00	16.00-18.00		
Embassy Row, 2015 Massachusetts Ave., NW	265-1600	26.00-34.00	30.00-42 00	30.00-42.00	50.00-105.00	90.00-118.00
Executive House, 1515 Rhode Island Ave., NW	232-7000	23.00 26.00	29.00 34.00	29.00 34.00	52.00 95.00	
Georgetown Dutch Inn, 1075 Thomas Jefferson St., NW	337-0000	28.00 32 00	32.00-36.00	32.00-36.00	28.00-48.00	45.00-80.00
Georgetown Inn, 1310 Wisconsin Ave., NW	333-8900	31.00-38.00	38.00-45.00	38.00-45.00	60.00 65.00	96.00-105.00
Gramercy Inn, 1616 Rhode Island Ave., NW	347-9550	30.00-35.00	40.00-45.00	40.00-45.00	65.00	125.00-150.00
Harrington, 11th and E Sts., NW	628-8140	13.00-15.00	16.00-18.00	16.00 18.00		
Hay-Adams, 800-16th St., NW	638-2260	30.00-58.00	37.00-55.00	41.00-65.00	80.00-125.00	123.00-180.00
Holiday Inn-Central, 1501 Rhode Island Ave., NW	483-2000	22.00-30.00	27.00 39.00	30.00	39.00	
Holiday Inn-Downtown, 1615 Rhode Island Ave. NW	296-2100	22.00-25.00	28.00	32.00-40.00	36.00 41.00	
Holiday Inn, 1900 Connecticut Ave., NW	332 9300	24.00	28.00	31.00	50.00	80.00
Holiday Inn-Parkway, 2700 New York Ave., NE	832-3500	18.00-23.00	24.00-30.00	29.00-30.00		
Howard Johnson's Motor Lodge, 2601 Virginia Ave., NW	965 2700	22 00-24.00	25.00-28.00	28.00	75.00	110.00
Jefferson, 1200 16th St., NW	347-4704	25.00-30.00	30.00 35.00	30.00-35.00	50.00-75.00	80.00-105.00
Loews L'Enfant Plaza, 480 L'Enfant Plaza East, SW	484-1000	32.00 41.00	40.00-49.00		70.00-150 00	100.00 200.00
Madison, 15th and M Sts., NW	785-1000	38.00-48.00	54.00-56.00	46.00-56.00	90.00-135.00	150.00-180.00
Mayflower, 1127 Connecticut Ave., NW	347-3000	26.00-40.00	37.00-48.00	38.00-48.00	65.00-105 00	95.00-248.00
Mid-Town Motor Inn, 1201 K St., NW	783-3040	21.00	26.00	27.00-28.00	45.00-55.00	75.00-85.00
National, 1808 Eye St., NW	628-5566	12.00	16.00	16.00	16.00-19.00	
Pick-Lee House, 15th and L Sts., NW	347-4800	21.00-26.00	27.00-31.00	27.00-31.00	47.00-60.00	73.00-91.00
Quality Inn—Capitol Hill, 415 New Jersey Ave., NW	638-1616	24.60-30.60	28.60-31.60	28.60-34.60	65.00-100.00	95.00-105.00
Quality Inn—Northeast, 1600 New York Ave., NE	832-3200	18.00-20.50	24.00-26.50	24.50-27.50		
Ramada Inn—Downtown, 10 Thomas Circle, NW	783-4600	24.00-28.00	29.00-35.00	29.00-35.00	65.00-75.00	95.00
Roger Smith, Pennsylvania Ave. at 18th St., NW	298-7200	20.00-31.00	24.50-33.00	27.50-33.00	49.00-55.00	
Sheraton Carlton, 16th and K Sts., NW	638-2626	25.00-39.00	37.00-47.00	37.00-47.00	70 00-85.00	110.00
Sheraton Park, 2660 Woodley Rd., NW	265-2000	26.00-37.00	36.00 47.00	36.00-47.00	55.00-130.00	125.00
Shoreham Americana, 2500 Calvert St., NW	234-0700	28.00-36.00	34.00-46.00	34.00-46.00	60 00-100.00	100.00-145.00
Skyline Inn, 10 Eye St., SW	547-7500	24.00-30.00	26.00-32.00	26.00-32.00	45.00-60.00	75.00-90.00
Statler Hilton, 16th and K Sts., NW	393-1000	26.00-38.00	37.00-49.00	37.00-49.00	[1] 89.00	124.00-205.00
Washington, Pennsylvania Ave. at 15th St., NW	638-5900	28.00-30.00	32.00-36.00	32.00-36.00	70.00 75.00	[1] 110.00
Washington Hilton, 1919 Connecticut Ave., NW	483-3000	30.00-38.00	42.00-50.00	42.00-50.00	95.00-200.00	144.00-250.00
Watergate, 2650 Virginia Ave., NW	965-2300	32.00-45.00	42.00-55.00	42.00-55.00	90.00	160.00

[1] And up.

Note: 6 percent District of Columbia sales tax not included in rates. Revised as of May 1974, and subject to change without notice.

Approved For Release 2001/09/07 : CIA-RDP76M00527R000700030004-7

H.R. 15903, in providing for $35 per diem and not to exceed $50 in unusual circumstances and in high cost localities, parallels NTEU's position on per diem allowances.

We believe that the maximum amount for mileage payments of 18¢ per mile for use of a privately owned automobile will necessitate approaching the Congress again next year to seek an increase in this factor. We believe the mileage rate should be stated as a minimum, suggesting 15¢ per mile, rather than a maximum. The history of GSA action in this matter indicates the agency tends toward the penurious rather than the generous and they are not likely to change.

We also believe the specific factors on which the mileage rate is based should be enumerated in the law. Under the present Act, GSA is extremely vague in identifying the basis for the mileage determination.

We agree that representatives of employee organizations should be involved in the conduct of studies of the cost of operating privately owned vehicles. We believe the report of findings should be made every six months rather than once a year. It is not clear that GSA should adjust the rates based on the reports. Merely reporting to the Congress is no guarantee that the proper adjustment in mileage rates will be made. We believe the language of the bill needs to be more specific on this point.

We feel it is essential that the legislation require GSA to authorize payment of the actual mileage cost based on continuous rather than periodic studies. The situation has been changing almost daily in recent months, especially relative to costs for gasoline and oil. Federal employees should not be required, as they are at present, to subsidize the Federal government in order to carry out their duties properly, merely because GSA fails to act.

We appreciate the opportunity to make these comments on H.R. 15903.

Mrs. COLLINS. Any questions? We appreciate the testimony of all of you.

As I say, all of your submitted statements will be made a part of the record.

It is my understanding that Mr. Parris wants to put a statement in the record, and that will be accepted without objection.

[Mr. Parris' prepared statement follows:]

PREPARED STATEMENT OF HON. STANFORD E. PARRIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. Chairman, it is a distinct pleasure to have this opportunity to present a brief statement on behalf of an increase in the maximum statutory per diem allowance and mileage allowance for federal employees.

As you know, by virtue of the proximity of the Eighth Congressional District of Virginia to the District of Columbia, I have the privilege of representing thousands of federal civil servants. On numerous occasions, these people have brought to my attention the near-impossibility of subsisting in most areas of the United States and abroad when traveling for "Uncle Sam", under the present statutory per diem allowance.

Currently, if civil servants travel to a city or locality where they simply cannot find decent meals and lodging within the statutory allowance, they have no alternative other than to finance any excess costs incurred out of their own pockets. I have known many federal employees travelling on official business who have met with this problem, even though they have made a concerted effort to locate lodging that will permit them to remain within their per diem allowance.

Furthermore, rising gasoline prices have made the present statutory maximum of 12¢ per mile totally unrealistic for the operation of a privately-owned automobile. Emission controls require the use of more gasoline per mile. You will recall that a recent study by GSA indicated that as of April, 1974, the average automobile operating cost was 14.4¢ per mile. In view of the continuing inflationary spiral since April, I would think it a fair statement to assume that this GSA estimate can only have increased.

Let me point out in discussing this situation that we in the Congress have done a great deal to fuel inflation through excessive government spending. This is a problem that we as a body are wrestling with, and although we have found no overall solutions, I do believe that real progress in the area of fiscal responsibility has been achieved through recently enacted legislation.

Certainly an increase in the per diem and mileage allowances will cost the federal government some money. However, in my estimation, it is more inflationary to mandate the use of a portion of the civil servant's salary to finance official U.S. government business than to permit that portion to be used to ease the pinch in the cost of maintaining a home and family.

Let me also point out that it is extremely difficult for the federal government to compete with the salaries and expense accounts of executive positions in private enterprise. We need to exert every effort to attract into the Civil Service the gifted young men and women of America who are making their career decisions, and to encourage present key federal employees to remain with the Civil Service in the future. Increasing the per diem and mileage allowances to realistic levels is one of the areas in which we can accomplish this.

Mr. Chairman, thank you for the opportunity to state my position on this matter. I would hope that this Committee will, in the near future, favorably report a bill which will provide a reasonable increase in the statutory maximum mileage and per diem allowances for federal employees.

Mrs. COLLINS. The record will be open for 1 week for the submission of other statements. The meeting is adjourned.

[Whereupon, at 3:20 p.m., the hearing was adjourned.]

APPENDIX

OTHER MATERIAL RELATIVE TO THE HEARING

Technical Information Release

Department of the Treasury
Internal Revenue Service
Washington, DC 20224
Tel. (202) 964-4021 8/12/74

For Release: Immediate

TIR-1299

An increase of three cents per mile in the standard mileage rate for the first 15,000 miles and one cent per mile for each additional mile of business use of automobiles was announced today by the Internal Revenue Service. This raises the standard mileage rate to 15 cents on the first 15,000 miles and 10 cents on each additional mile.

The rate for use of an automobile for charitable, medical and allowable moving expense purposes is also increased by one cent per mile and will now be seven cents per mile.

The IRS also announced an $8 increase, raising to $44 the amount of reimbursements, or per diem allowances, for ordinary and necessary expenses of employees traveling away from home, for substantiation purposes.

All the above increases are effective for taxable years beginning after December 31, 1973.

The Revenue Ruling and the three Revenue Procedures which follow will be published in Internal Revenue Bulletin 1974-36, dated 9/9/74, as Revenue Ruling 74-433, Revenue Procedure 74-23, Revenue Procedure 74-24, and Revenue Procedure 74-25.

PART I

SECTION 274.--DISALLOWANCE OF CERTAIN ENTERTAINMENT, ETC., EXPENSES

26 CFR 1.274-5: Substantiation requirements.
(Also Section 162; 1.162-17.)

Rev. Rul. 74-433

The purpose of this Revenue Ruling is to update Rev. Rul. 71-412, 1971-2 C.B. 170, as modified by Rev. Rul. 72-508, 1972-2 C.B. 200, to provide subsistence and travel figures that most nearly represent present reasonable limits in light of current costs.

Under section 274(d) of the Internal Revenue Code of 1954 and section 1.274-5 of the Income Tax Regulations, rules are provided for the substantiation of business expenditures for travel, entertainment, and gifts. The Commissioner of Internal Revenue, under the authority granted by section 1.274-5(f) of the regulations, may prescribe rules governing reimbursement arrangements, or per diem allowances, for ordinary and necessary expenses of an employee traveling away from home (exclusive of transportation costs to and from destination) and mileage allowances for similar transportation expenses. Such arrangements or allowances which are in accordance with reasonable business

practices, may be regarded (1) as equivalent to substantiation by adequate records or other sufficient evidence of the amount of such traveling expenses for purposes of section 1.274-5(c), and (2) as satisfying the requirements of an adequate accounting to an employer with respect to such amounts for purposes of section 1.274-5(e).

Pursuant to such authority, it is held as follows:

If, in the case of expenses for travel away from home (exclusive of costs of transportation to and from destination), an employer reimburses his employees for subsistence or provides his employees with a per diem allowance in lieu of subsistence in an amount which does not exceed the greater of (1) $44 per day or (2) the maximum per diem rate authorized to be paid by the Federal Government in the locality in which the travel is performed, such reimbursements and allowances shall be deemed substantiated within the meaning of section 1.274-5(c) of the regulations if (1) the employer reasonably limits payment of such travel expenses to those which are ordinary and necessary in the conduct of his trade or business and (2) the elements of time, place, and business purpose of travel are substantiated in accordance with paragraphs (b)(2) and (c) (other than subdivision (iii)(a) thereof) of section 1.274-5.

The district director will determine whether an employer reasonably limits the payment of expenses for travel away from home to such expenses as are ordinary and necessary in the conduct of trade or business by, (1) in the case of reimbursements for actual subsistence expenses, determining whether the employer maintains adequate internal audit controls, such as requiring an employee's expense account to be verified and approved by a responsible person other than the employee incurring the expense, and (2) in the case of per diem allowances in lieu of subsistence, determining whether the employer's travel allowance practices are based on reasonably accurate estimates of travel costs, including recognition of cost variances encountered in different localities. If the amount of traveling expenses away from home is deemed substantiated for purposes of section 1.274-5(c) of the regulations, the adequate accounting requirements of section 1.274-5(e) shall be deemed satisfied.

As used in this Revenue Ruling the term "subsistence" includes, but is not limited to, reasonable travel expenses for meals and lodging, laundry, cleaning and pressing of clothing, and fees and tips for services, such as for waiters and baggagemen. The term "subsistence" does not include taxicab fares or the costs of telegrams or telephone calls.

In any case where a fixed mileage allowance not exceeding 15 cents per mile is used by an employer in payment of an employee's ordinary and necessary expenses of transportation while traveling away from home and the elements of time, place, and business purpose of the travel are substantiated in accordance with paragraphs (b)(2) and (c) (other than subdivision (iii)(a) thereof) of section 1.274-5 of the regulations, then such an allowance shall be deemed as satisfying, with respect to such travel amounts, the substantiation requirements of section 1.274-5(c) and the adequate accounting requirements of section 1.274-5(e). However, an employer may grant an additional allowance for parking fees and tolls attributable to the traveling and transportation expenses as separate items. Also, where an employer grants an allowance to an employee for ordinary and necessary transportation expenses not involving travel away from home, such an arrangement shall be considered to be an accounting to the employer within the meaning of section 1.162-17(b) of the regulations.

If an employee, under a travel expense arrangement or allowance practice discussed above, receives an amount from his employer in excess of his deductible business expenses (which do not include personal, living, or family expenses or travel expenses disallowed by section 274(c) of the Code), he must report such excess amount in gross income.

The provisions of this Revenue Ruling relating to reimbursement arrangements or per diem allowances will not apply in any case where an employer and an employee are related within the meaning of section 267(b) of the Code, but for this purpose the percentage of ownership interest referred to in section 267(b)(2) shall be 10 percent.

If a subsistence reimbursement arrangement or a per diem allowance in lieu of subsistence exceeds the greater of $ 44 per day or the maximum per diem rate authorized to be paid by the Federal Government in the locality in which the travel is performed, or if a mileage allowance exceeds 15 cents per mile, the presence of unusual circumstances which account for the variation may, nevertheless, constitute grounds for considering the arrangement or allowance as equivalent to substantiation and an adequate accounting to an employer of amount of travel expense for purposes of sections 1.162-17 and 1.274-5 of the regulations. In such a case the employer should direct a request to the Commissioner of Internal Revenue, Attention: Income Tax Division, Washington, D. C. 20224, setting forth in detail information with respect to such arrangement or allowance and the reason for his belief that special circumstances justify the same treatment as that accorded arrangements or allowances falling within the scope of this Revenue Ruling. The burden will be upon the employer in all such cases to establish to the satisfaction of the Commissioner the reasonableness of the arrangements or allowances paid under the special circumstances involved.

With respect to returns filed for taxable years beginning after December 31, 1973, this Revenue Ruling supersedes Rev. Rul. 71-412, as modified by Rev. Rul. 72-508, which relates to periods ending after December 31, 1970.

PART V.--ADMINISTRATIVE, PROCEDURAL, AND MISCELLANEOUS MATTERS.

26 CFR 601.105: Examinations of returns and claims for refund, credit or abatement; determination of correct tax liability.

(Also Part I, Sections 162, 163, 164, 274, 1016; 1.162-17, 1.163-1, 1.164-1, 1.274-5, and 1.1016-3.)

Rev. Proc. 74-23

Section 1. Purpose.

The purpose of this Revenue Procedure is to provide for an increased standard mileage rate and procedures to be followed by employees or self-employed individuals who claim deductions for the costs of operating passenger automobiles (including vehicles such as pickup or panel trucks) for business purposes under the simplified method of computing deductible costs of operating passenger automobiles for taxable years beginning after December 31, 1973.

Sec. 2. Background.

Section 162(a) of the Internal Revenue Code of 1954 provides that there shall be allowed as a deduction all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business. Under that provision, an employee or a self-employed individual may deduct the cost of operating a passenger automobile owned by him to the extent that it is used in a trade or business. Any portion of the operating cost which is attributable to personal use, rather than use for a business purpose, is not deductible. Rev. Proc. 70-25, 1970-2 C.B. 506, established certain procedures to be followed by the Internal Revenue Service in examining income tax returns filed for taxable years beginning after December 31, 1969, by employees or self-employed individuals who claim deductions for the costs of operating passenger automobiles for business purposes. Under those procedures, a simplified method of computing deductible costs of operating passenger automobiles was accepted.

Sec. 3. Optional Method of Computing Operating Costs.

Subject to the conditions and limitations set forth below, with respect to returns filed for taxable years beginning after December 31, 1973, deductions will be accepted if computed at a standard mileage rate of (a) fifteen cents per mile for the first 15,000 miles of use each year for business purposes and (b) ten cents per mile for use for business purposes in excess of 15,000 miles per year. Computation under this method is optional on a yearly basis.

.01 A deduction computed under this method shall be in lieu of all operating and fixed costs of the automobile allocable to business purposes. Such items as gasoline (including all taxes thereon), oil, repairs, license tags, insurance, and depreciation are included in operating and fixed costs. However, parking fees and tolls attributable to use for business purposes may be deducted as separate items. Gasoline taxes allocable to use for nonbusiness purposes (and allowable under section 164 of the Code) may be deducted in addition to the deduction computed under this method. The rate prescribed herein does not affect a deduction for interest relating to the automobile which is allowable under section 163 nor deductions for State and local taxes (other than those included in the cost of gasoline) otherwise allowable under section 164.

.02 The use of the simplified method is limited to a self-employed individual or an employee who operates only one automobile at a time for business purposes. Where a person alternates in using different automobiles on different occasions for business purposes, the standard mileage rate applies to the total business mileage of such automobiles, as if they were one, to arrive at a deduction. Similarly, if an individual replaces his automobile during the year, the total business mileage for the year of both automobiles must be used, as if they were one, in applying the standard mileage rate.

.03 This method is not acceptable for computing the deductible costs of (A) vehicles used for hire, such as taxicabs, or (B) two or more automobiles used simultaneously, such as in fleet operations.

.04 In any year in which the simplified method has been used, straight-line depreciation will be considered to have been allowed. The allowable depreciation will act to reduce the basis of the automobile in determining adjusted basis as required by section 1016(a) of the Code.

.05 This simplified method is not available for use where depreciation has been claimed in the past on an automobile by use of a depreciation method other than straight-line, or where additional first-year depreciation has been claimed.

.06 The optional method provided by this Revenue Procedure will be accepted in examining the return of an employee irrespective of whether he received a reimbursement or allowance for such business automobile expenses from his employer, provided that such reimbursement or allowance is reflected in his return. For the reporting requirements of employees, see sections 1.162-17 and 1.274-5(e) of the Income Tax Regulations.

.07 For this method of computing automobile cost to be acceptable a self-employed individual or employee is required to establish his business mileage (A) for local transportation, in accordance with section 1.162-17(d) of the regulations, and (B) for other travel, in accordance with section 1.274-5. The provisions of such regulations relating to substantiation of the amount of an expenditure are inapplicable to deductions computed under this Revenue Procedure.

Sec. 4. Effect on Other Documents.

With respect to returns filed for taxable years beginning after December 31, 1973, this Revenue Procedure supersedes Rev. Proc. 70-25, which relates to periods after December 31, 1969.

PART V.--ADMINISTRATIVE, PROCEDURAL, AND MISCELLANEOUS MATTERS.

26 CFR 601.602: Forms and instructions.
(Also Part I, Sections 170,213; 1.170A-1, 1.213-1.)

Rev. Proc. 74-24

In line with the adoption of an increase in the standard mileage rate for computing the allowable deduction for the cost of transportation by automobile under section 162 of the Internal Revenue Code of 1954 (See Revenue Procedure 74-23) it is deemed appropriate to increase the standard mileage rate for computing the cost of operating an automobile for transportation in connection with rendering gratuitous services to a charitable organization under section 170, and for transportation for medical care under section 213, with respect to returns filed for taxable years beginning after December 31, 1973.

Certain items relating to the use of an automobile may not be taken into account in computing the amount paid for transportation with respect to the rendering of gratuitous services to charitable organizations or with respect to medical care, for example, depreciation. See Rev. Rul. 58-279, 1958-1 C.B. 145, and Maurice S. Gordon, 37 T.C. 986 (1962). Accordingly, an individual may not use the same standard mileage rate as is permitted by Rev. Proc. 74-23 for an automobile used in a trade or business. Therefore, for taxable years beginning after December 31, 1973, it has been determined that seven cents a mile is a reasonable rate which may be used to compute the cost of operating an automobile where such transportation expenses are deductible as a charitable contribution under section 170 of the Code or as a medical expense under section 213. However, parking fees and tolls attributable to such transportation may be deducted as separate items.

The use of this rate shall be in lieu of any amounts otherwise allowable under sections 170 and 213 of the Code by reason of the use of a taxpayer's automobile for transportation. However, the rate prescribed herein does not affect deductions for any expenses relating to the automobile which are allowable under section 163 (interest) or section 164 (taxes other than those included in the cost of gasoline). Similarly, since depreciation may not be taken into account in determining the deduction for contributions or medical expenses no adjustment to the basis of the automobile is required because of the use of this rate.

The standard mileage rate prescribed herein will be accepted by the Internal Revenue Service as being representative of the cost of operating an automobile for purposes of sections 170 and 213 of the Code regardless of the method used to compute depreciation for business use of the automobile, and regardless of the number of automobiles that the taxpayer may have in operation. Use of this standard mileage rate, however, is not mandatory and where a taxpayer's allowable nonreimbursed transportation expenses for charitable and medical purposes exceed this rate, the taxpayer may deduct such actual expenses.

With respect to returns filed for taxable years beginning after December 31, 1973, this Revenue Procedure supersedes Rev. Proc. 70-24, 1970-2, C.B. 505, which relates to periods after December 31, 1969.

PART V.--ADMINISTRATIVE, PROCEDURAL, AND MISCELLANEOUS EXPENSES.

26 CFR 601.602: Forms and instructions.
(Also Part I, Section 217; 1.217-2.)

Rev. Proc. 74-25

To relieve individuals from the necessity of maintaining certain detailed travel expense records, the Internal Revenue Service will accept the use of the simplified method set forth herein for determining deductible costs of operating a passenger automobile for moving expenses allowable under section 217 of the Internal Revenue Code of 1954 with respect to returns filed for taxable years beginning after December 31, 1973.

Subject to the conditions and limitations set forth in section 217 of the Code, an employee or a self-employed individual may choose to compute the deductible costs of operating his passenger automobile in connection with the commencement of work at a new principal place of work by use of a standard mileage rate of seven cents per mile.

The use of this rate shall be in lieu of any amounts otherwise allowable under section 217 of the Code by reason of the use of a taxpayer's automobile for such travel. However, parking fees and tolls attributable to such travel may be deducted as separate items. The rate prescribed herein does not affect a deduction for any expenses relating to the automobile which are allowable under section 163 (interest) or section 164 (taxes other than those included in the cost of gasoline). Since depreciation may not be taken into account in determining the deduction for moving expenses, no adjustment to the basis of the automobile is required because of the use of this rate.

With respect to returns filed for taxable years beginning after December 31, 1973, this Revenue Procedure supersedes Rev. Proc. 71-2, 1971-1 C.B. 659, which relates to periods after December 31, 1969.

O